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National Defense Authorization

ON

NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 2004—H.R. 1588

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED
PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

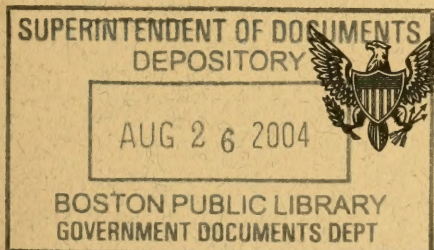
FULL COMMITTEE HEARINGS

ON

AUTHORIZATION AND OVERSIGHT

HEARINGS HELD

FEBRUARY 5, 12, 26, 27, MARCH 4, 12, 13, 20, 2003
APRIL 1, MAY 1, AND 2, 2003



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108TH CONGRESS
1ST SESSION

H. R. 1588

To authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2004, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 2003

MR. HUNTER (for himself and Mr. SKELTON) (both by request) introduced the following bill; which was referred to the Committee on Armed Services

A BILL

To authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2004, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “National Defense Authorization Act for Fiscal Year 2004”.

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- Sec. 814. Authority for DoD intelligence components to award personal service contracts.
- Sec. 815. Elimination of subcontract notification requirements.
- Sec. 816. Exception for replacement ball bearings and roller bearings to be used in a component of non-domestic origin.
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- Sec. 821. Elimination of the requirement to furnish written assurances of technical data conformity.
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TITLE IX—DEPARTMENT OF DEFENSE ORGANIZATION AND MANAGEMENT

Subtitle A—Duties and Functions of Department of Defense Officers

- Sec. 901. Alternative authority for acquisition and improvement of military housing.

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- Sec. 911. Authorize provision of space surveillance network services to non-United States government entities.

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TITLE X—GENERAL PROVISIONS

Subtitle A—Financial Matters

- Sec. 1001. Payment of full replacement value for personal property claims.
- Sec. 1002. Restoration of authority to enter into 12-month leases at any time during the fiscal year.
- Sec. 1003. Authority to provide reimbursement for cellular telephone use.
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- Sec. 1006. Allow the Department of Defense to capture all expired funds from the Military Personnel and Operation and Maintenance Appropriations Accounts for use in the Foreign Currency Fluctuations Account.
- Sec. 1007. Funding for special operations Reserve component personnel engaged in activities relating to clearance of landmines.

Subtitle B—Naval Vessels and Shipyards

- Sec. 1011. Reimbursement to the Navy for assistance provided in support of certain ship and shipboard equipment transfers.
- Sec. 1012. Vessels stricken from naval vessel register: use for experimental purposes.
- Sec. 1013. Authorize transfer of vessels stricken from the naval vessel register for use as artificial reefs.
- Sec. 1014. Repeal of the Shipbuilding Capability Preservation Agreement.

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Subtitle C—Counter-Drug Activities

- Sec. 1021. Extend authority for use of counter drug activities.
- Sec. 1022. Department of Defense support for counter-terrorism activities in the Americas.
- Sec. 1023. Expansion and extension of authority to provide additional support for counter-drug activities.

Subtitle D—Other Department of Defense Provisions

- Sec. 1031. Provision of living quarters for certain students.
- Sec. 1032. Repeal of required grade for defense attaché in France.
- Sec. 1033. National Geospatial-Intelligence Agency.

Subtitle E—Other Matters

- Sec. 1041. Updating definitions in title 10, United States Code.
- Sec. 1042. Improving readiness in providing firefighting services.
- Sec. 1043. Documents, historical artifacts, and obsolete or surplus materiel: loan, donation, or exchange.
- Sec. 1044. Authority to ensure demilitarization of significant military equipment formerly owned by the Department of Defense.

TITLE XI—DEPARTMENT OF DEFENSE CIVILIAN PERSONNEL

- Sec. 1101. Position vacancy promotion consideration in time of war or national emergency.

TITLE XII—MATTERS RELATING TO OTHER NATIONS

Subtitle A—Matters Related to Allies and Friendly Foreign Nations

- Sec. 1201. Expansion of authority to conduct the Arctic military environmental cooperation program.
- Sec. 1202. Authority to waive domestic source or content requirements.
- Sec. 1203. Authority to expend funds to recognize superior noncombat achievements or performance by members of friendly foreign forces and other foreign nationals.
- Sec. 1204. Administrative support and services for foreign liaison officers.
- Sec. 1205. George C. Marshall European Center for Security Studies.
- Sec. 1206. Restrictions on permanent transfer of significant military equipment.
- Sec. 1207. Amendment to authority for acceptance by Asia-Pacific Center for Security Studies of foreign gifts and donations.
- Sec. 1208. Addition of individuals authorized to receive check cashing and exchanges of foreign currency.
- Sec. 1209. Continuation of the regional counterterrorism fellowship program.
- Sec. 1210. Logistics support for friendly nations.

Subtitle B—Other Matters

- Sec. 1221. Repeal of the authorization for the establishment of the Center for the Study of Chinese Military Affairs.

TITLE XIII—HOMELAND SECURITY

- Sec. 1301. Sales of chemical and biological defense articles and services to state and local governments.

DIVISION B—MILITARY CONSTRUCTION AUTHORIZATIONS

- Sec. 2001. Short title.

TITLE XXI—ARMY

- Sec. 2101. Authorized Army construction and land acquisition projects.
- Sec. 2102. Family housing.
- Sec. 2103. Improvements to military family housing units.
- Sec. 2104. Authorization of appropriations, Army.
- Sec. 2105. Modification to carry out certain fiscal year 2002 projects.

TITLE XXII—NAVY

- Sec. 2201. Authorized Navy construction and land acquisition projects.
- Sec. 2202. Family housing.
- Sec. 2203. Improvements to military family housing units.
- Sec. 2204. Authorization of appropriations, Navy.

TITLE XXIII—AIR FORCE

- Sec. 2301. Authorized Air Force construction and land acquisition projects.
- Sec. 2302. Family housing.
- Sec. 2303. Improvements to military family housing units.
- Sec. 2304. Authorization of appropriations, Air Force.

TITLE XXIV—DEFENSE AGENCIES

- Sec. 2401. Authorized Defense Agencies construction and land acquisition projects.
- Sec. 2402. Family housing.
- Sec. 2403. Improvements to military family housing units.
- Sec. 2404. Energy conservation projects.
- Sec. 2405. Authorization of appropriations, Defense Agencies.

TITLE XXV—NORTH ATLANTIC TREATY ORGANIZATION SECURITY INVESTMENT PROGRAM

- Sec. 2501. Authorized NATO construction and land acquisition projects.
- Sec. 2502. Authorization of appropriations, NATO.

TITLE XXVI—GUARD AND RESERVE FORCES FACILITIES

- Sec. 2601. Authorized Guard and Reserve construction and land acquisition projects.

TITLE XXVII—EXPIRATION AND EXTENSION OF AUTHORIZATIONS

- Sec. 2701. Expiration of authorizations and amounts required to be specified by law.

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Sec. 2702. Extension of authorizations of certain fiscal year 2001 projects.
Sec. 2703. Extension of authorizations of certain fiscal year 2000 projects.
Sec. 2704. Effective date.

TITLE XXVIII—GENERAL PROVISIONS

Subtitle A—Military Construction and Military Family Housing

Sec. 2801. Streamlining military construction to reduce facility acquisition and construction cycle time.
Sec. 2802. Increased terms for leases of family housing and other facilities in foreign countries.

Subtitle B—Real Property and Facilities Administration

Sec. 2811. Expanded authority to transfer property at military installations to be closed to persons who construct or provide military housing.
Sec. 2812. Acceptance of in-kind consideration for easements.
Sec. 2813. Modification of authority to accept funds to cover administrative expenses relating to certain real property transactions.
Sec. 2814. Authority to convey property at military installations to persons who construct or provide military housing.
Sec. 2815. Increase in threshold for reports to congressional committees on real property transactions.
Sec. 2816. Contracting with local governments for municipal services.

Subtitle C—Other Matters

Sec. 2821. Increase authority to lease military family housing in Italy.
Sec. 2822. Conveyance of Army and Air Force Exchange Service property, Dallas, Texas.

DIVISION A—DEPARTMENT OF DEFENSE AUTHORIZATIONS

TITLE I—PROCUREMENT

Subtitle A—Authorization of Appropriations

SEC. 101. ARMY.

Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement for the Army as follows:

- (1) For aircraft, \$2,128,485,000.
- (2) For missiles, \$1,459,462,000.
- (3) For weapons and tracked combat vehicles, \$1,640,704,000.
- (4) For ammunition, \$1,309,966,000.
- (5) For other procurement, \$4,216,854,000.

SEC. 102. NAVY AND MARINE CORPS.

(a) NAVY.—Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement for the Navy as follows:

- (1) For aircraft, \$8,788,148,000.
- (2) For weapons, including missiles and torpedoes, \$1,991,821,000.
- (3) For shipbuilding and conversion, \$11,438,984,000.
- (4) For other procurement, \$4,679,443,000.

(b) MARINE CORPS.—Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement for the Marine Corps in the amount of \$1,070,999,000.

(c) NAVY AND MARINE CORPS AMMUNITION.—Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement of ammunition for the Navy and Marine Corps in the amount of \$922,355,000.

SEC. 103. AIR FORCE.

Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement for the Air Force as follows:

- (1) For aircraft, \$12,079,360,000.
- (2) For missiles, \$4,393,039,000.
- (3) For procurement of ammunition, \$1,284,725,000.
- (4) For other procurement, \$11,583,659,000.

SEC. 104. DEFENSE-WIDE ACTIVITIES.

Funds are hereby authorized to be appropriated for fiscal year 2004 for defense-wide procurement in the amount of \$3,691,006,000.

SEC. 105. DEFENSE INSPECTOR GENERAL.

Funds are hereby authorized to be appropriated for fiscal year 2004 for procurement for the Defense Inspector General in the amount of \$2,100,000.

SEC. 106. DEFENSE HEALTH PROGRAM.

Funds are hereby authorized to be appropriated for fiscal year 2004 for the Department of Defense for procurement for carrying out health care programs, projects, and activities of the Department of Defense in the total amount of \$327,826,000.

SEC. 107. CHEMICAL AGENTS AND MUNITIONS DESTRUCTION.

Funds are hereby authorized to be appropriated for fiscal year 2004 for chemical agents and munitions destruction in the amount of \$1,650,076,000 for—

- (1) the destruction of lethal chemical weapons in accordance with section 1412 of the Department of Defense Authorization Act, 1986 (50 U.S.C. 1521); and
- (2) the destruction of chemical warfare material of the United States that is not covered by section 1412 of such Act.

Subtitle B—Multi-Year Contract Authorizations

SEC. 111. MULTIYEAR PROCUREMENT AUTHORITY FOR NAVY PROGRAMS.

(a) **MULTI-YEAR CONTRACT AUTHORITY.**—Beginning with the fiscal year 2004 program year, the Secretary of the Navy may, in accordance with section 2306b of title 10, United States Code, enter into multiyear contracts for procurement of the following:

- (1) F/A-18 aircraft.
- (2) E-2C aircraft.
- (3) the Tactical Tomahawk missile.
- (4) the Virginia class submarine.

(b) **SHIPBUILDER TEAMING.**—Paragraphs (2)(A), (3), and (4) of section 121(b) of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85; 111 Stat. 1648) apply to the procurement of Virginia class submarines under this section.

SEC. 112. AMENDMENT TO MULTIYEAR PROCUREMENT AUTHORITY FOR C-130J AIRCRAFT FOR THE AIR FORCE.

Section 131(a) of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (Public Law 107-314; 116 Stat. 2475) is amended by striking “40 C-130J aircraft” and inserting “42 C-130J aircraft”.

TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

Subtitle A—Authorization of Appropriations

SEC. 201. AUTHORIZATION OF APPROPRIATIONS.

Funds are hereby authorized to be appropriated for fiscal year 2004 for the use of the Armed Forces for research, development, test, and evaluation, as follows:

- (1) For the Army, \$9,122,825,000.
- (2) For the Navy, \$14,106,653,000.
- (3) For the Air Force, \$20,336,258,000.
- (4) For Defense-wide research, development, test, and evaluation, \$18,260,918,000, of which \$286,661,000 is authorized for the Director of Operational Test and Evaluation.
- (5) For the Defense Health Program, \$65,796,000.
- (6) For the Defense Inspector General, \$300,000.

Subtitle B—Ballistic Missile Defense

SEC. 211. RENEWAL OF AUTHORITY TO ASSIST LOCAL COMMUNITIES IMPACTED BY BALLISTIC MISSILE DEFENSE SYSTEM TEST BED.

Section 235(b)(1) of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107; 115 Stat. 1041) is amended by striking “for fiscal year 2002” and inserting “for fiscal years after fiscal year 2001”.

Subtitle C—Other Matters

SEC. 221. RESCIND THE PROHIBITION ON RESEARCH AND DEVELOPMENT OF LOW-YIELD NUCLEAR WEAPONS.

Section 3136 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103–160; 107 Stat. 1946) is repealed.

TITLE III—OPERATION AND MAINTENANCE

Subtitle A—Authorization of Appropriations

SEC. 301. OPERATION AND MAINTENANCE FUNDING.

Funds are hereby authorized to be appropriated for fiscal year 2004 for the use of the Armed Forces of the United States and other activities and agencies of the Department of Defense, for expenses, not otherwise provided for, for operation and maintenance, in amounts as follows:

- (1) For the Army, \$24,965,342,000.
- (2) For the Navy, \$28,287,690,000.
- (3) For the Marine Corps, \$3,406,656,000.
- (4) For the Air Force, \$27,793,931,000.
- (5) For the Defense-wide activities, \$16,570,847,000.
- (6) For the Army Reserve, \$1,952,009,000.
- (7) For the Naval Reserve, \$1,171,921,000.
- (8) For the Marine Corps Reserve, \$173,952,000.
- (9) For the Air Force Reserve, \$2,179,188,000.
- (10) For the Army National Guard, \$4,211,331,000.
- (11) For the Air National Guard, \$4,402,646,000.
- (12) For the Defense Inspector General, \$160,049,000.
- (13) For the United States Court of Appeals for the Armed Forces, \$10,333,000.
- (14) For Environmental Restoration, Army, \$396,018,000.
- (15) For Environmental Restoration, Navy, \$256,153,000.
- (16) For Environmental Restoration, Air Force, \$384,307,000.
- (17) For Environmental Restoration, Defense-wide, \$24,081,000.
- (18) For Environmental Restoration, Formerly Used Defense Sites, \$212,619,000.
- (19) For Overseas Humanitarian, Disaster, and Civic Aid programs, \$59,000,000.
- (20) For Drug Interdiction and Counter-drug Activities, Defense-wide, \$817,371,000.
- (21) For the Defense Health Program, \$14,876,887,000.
- (22) For Cooperative Threat Reduction programs, \$450,800,000.
- (23) For Overseas Contingency Operations Transfer Fund, \$50,000,000.

SEC. 302. WORKING CAPITAL FUNDS.

Funds are hereby authorized to be appropriated for fiscal year 2004 for the use of the Armed Forces of the United States and other activities and agencies of the Department of Defense for providing capital for working capital and revolving funds in amounts as follows:

- (1) For the Defense Working Capital Funds, \$1,721,507,000.
- (2) For the National Defense Sealift Fund, \$1,062,762,000.

SEC. 303. ARMED FORCES RETIREMENT HOME.

There is hereby authorized to be appropriated for fiscal year 2004 from the Armed Forces Retirement Home Trust Fund the sum of \$65,279,000 for the operation of the Armed Forces Retirement Home, including the United States Soldiers' and Airmen's Home and the Naval Home.

Subtitle B—Environmental Provisions

SEC. 311. CLARIFY DEFINITIONS OF SALVAGE FACILITIES AND SALVAGE SERVICES TO INCLUDE ENVIRONMENTAL RESPONSES AND RELATED EQUIPMENT.

(a) SALVAGE FACILITIES.—Section 7361(a) of title 10, United States Code, is amended by adding at the end the following new sentence: “Salvage facilities in-

clude, but are not limited to, equipment and gear utilized to prevent, abate or minimize damage to the environment.”

(b) SETTLEMENT OF CLAIMS FOR SALVAGE SERVICES.—Section 7363 of such title is amended by adding at the end the following new sentence: “Claims for such salvage services include, but are not limited to, those for enhanced or special compensation for services that prevent, abate or minimize damage to the environment.”.

SEC. 312. AUTHORIZATION FOR FEDERAL PARTICIPATION IN WETLAND MITIGATION BANKS.

(a) IN GENERAL.—Chapter 159 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 2697. Authorization for Federal participation in wetland mitigation banks

“The Secretary of a military department engaged in any activity resulting, or which may result, in the destruction of or impacts to wetlands is authorized to make payments to wetland mitigation banking programs and consolidated user sites (‘in-lieu-fee’ programs) that have been approved in accordance with the Federal Guidance for the Establishment, Use, and Operation of Mitigation Banks or the Federal Guidance on the Use of In-Lieu-Fee Arrangements for Compensatory Mitigation Under Section 404 of the Clean Water Act and Section 10 of the Rivers and Harbors Act as an alternative to creating a wetland for mitigation on Federal property for construction projects. These payments may be included as eligible project costs for military construction.”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“2697. Authorization for Federal participation in wetland mitigation banks.”.

SEC. 313. PROVISION TO EXEMPT RESTORATION ADVISORY BOARDS FROM THE FEDERAL ADVISORY COMMITTEE ACT.

Section 2705 (d)(2) of chapter 160 of title 10, United States Code, is amended by adding at the end the following new subparagraph:

“(C) The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to any restoration advisory board established by the Secretary pursuant to this subsection.”.

SEC. 314. REPEAL OF MILITARY EQUIPMENT AND INFRASTRUCTURE: PREVENTION AND MITIGATION OF CORROSION.

(a) IN GENERAL.—Section 2228 of title 10, United States Code, is repealed.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 131 of this title is amended by striking the item relating to section 2228.

Subtitle C—Workplace and Depot Issues

SEC. 321. REPEAL OF TIME LIMITATION ON EXCLUSION OF EXPENDITURES ON CONTRACTING FOR DEPOT-LEVEL MAINTENANCE.

Section 2474(f)(2) of title 10, United States Code, is amended by striking “for fiscal years 2002 through 2005”.

SEC. 322. EXCEPTION TO COMPETITION REQUIREMENT FOR DEPOT-LEVEL MAINTENANCE AND REPAIR.

Section 2469 of title 10, United States Code, is amended by inserting at the end the following new subsection (d):

“(d) EXCEPTIONS.—This section shall not apply with respect to depot-level maintenance and repair workload that is the subject of a public-private partnership entered into pursuant to section 2474(b) of this title provided—

“(1) competition is sought to select the source that will partner with the depot to perform the workload;

“(2) the payment requests made by the partnership for work performed reflect the full cost to the Government of resources used by the depot for providing services, which shall include costs of resources used, but not paid for, by the depot;

“(3) the portion of the payment received by the partnership that is necessary to cover the full cost of performance by the depot, as required by paragraph (2), is transferred to the General fund in the Treasury to the extent the payment is reimbursing the depot for federal resources the depot has used, but not paid for, in performing its work;

“(4) in accordance with applicable contracting procedures, the customer agency is not charged for any effort undertaken by the partnership to correct performance deficiencies; and

“(5) the depot does not charge its partner contractor for any effort the depot undertakes to correct performance deficiencies under the contract.”.

SEC. 323. EXCLUDE WORKLOADS FOR SPECIAL ACCESS PROGRAMS FROM LIMITATIONS ON THE PERFORMANCE OF DEPOT-LEVEL MAINTENANCE OF MATERIEL.

Section 2466(d) of title 10, United States Code, is amended to read as follows:

“(d) EXCEPTIONS.—Subsection (a) shall not apply with respect to—

“(1) the Sacramento Army Depot, Sacramento, California; and

“(2) workloads for special access programs.”.

SEC. 324. ESTABLISHING MINIMUM LEVEL OF PERFORMANCE OF DEPOT-LEVEL MAINTENANCE OF MATERIEL BY FEDERAL GOVERNMENT PERSONNEL OR AT A GOVERNMENT-OWNED FACILITY.

(a) ESTABLISHING MINIMUM LEVEL.—Section 2466(a) of title 10, United States Code, is amended to read as follows:

“(a) ALLOCATION OF WORKLOAD PERCENTAGE.—At least 50 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair workload shall be used for the performance of such workload for the military department or the Defense Agency by Federal Government personnel or at a Government-owned facility.”.

(b) CONFORMING AMENDMENT.—Section 2474(f)(1) of such title is amended by striking “percentage limitation” and inserting “allocation of workload percentage”.

SEC. 325. CENTERS OF INDUSTRIAL AND TECHNICAL EXCELLENCE: EXTENSION OF PARTNERSHIP EXEMPTION.

Section 2474(f)(1) of title 10, United States Code, is amended by striking “at” and inserting “for”.

TITLE IV—MILITARY PERSONNEL AUTHORIZATIONS

Subtitle A—Active Forces

SEC. 401. END STRENGTHS FOR ACTIVE FORCES.

The Armed Forces are authorized strengths for active duty personnel as of September 30, 2004, as follows:

- (1) The Army, 480,000.
- (2) The Navy, 373,800.
- (3) The Marine Corps, 175,000.
- (4) The Air Force, 359,300.

Subtitle B—Reserve Forces

SEC. 411. END STRENGTHS FOR SELECTED RESERVE.

(a) IN GENERAL.—The Armed Forces are authorized strengths for Selected Reserve personnel of the reserve components as of September 30, 2004, as follows:

- (1) The Army National Guard of the United States, 350,000.
- (2) The Army Reserve, 205,000.
- (3) The Naval Reserve, 85,900.
- (4) The Marine Corps Reserve, 39,600.
- (5) The Air National Guard of the United States, 107,000.
- (6) The Air Force Reserve, 75,800.
- (7) The Coast Guard Reserve, 10,000.

(b) ADJUSTMENTS.—The end strengths prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by—

(1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at the end of the fiscal year; and

(2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at the end of the fiscal year.

Whenever such units or such individual members are released from active duty during any fiscal year, the end strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be increased proportionately by the total

authorized strengths of such units and by the total number of such individual members.

SEC. 412. END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES.

Within the end strengths prescribed in section 411(a), the reserve components of the Armed Forces are authorized, as of September 30, 2004, the following number of Reserves to be serving on full-time active duty or, in the case of members of the National Guard, full-time National Guard duty for the purpose of organizing, administering, recruiting, instructing, or training the reserve components:

- (1) The Army National Guard of the United States, 25,386.
- (2) The Army Reserve, 14,374.
- (3) The Naval Reserve, 14,384.
- (4) The Marine Corps Reserve, 2,261.
- (5) The Air National Guard of the United States, 12,140.
- (6) The Air Force Reserve, 1,660.

SEC. 413. END STRENGTHS FOR MILITARY TECHNICIANS (DUAL STATUS).

The Reserve Components of the Army and the Air Force are authorized strengths for military technicians (dual status) as of September 30, 2004, as follows:

- (1) For the Army Reserve, 6,699.
- (2) For the Army National Guard of the United States, 24,589.
- (3) For the Air Force Reserve, 9,991.
- (4) For the Air National Guard of the United States, 22,806.

SEC. 414. FISCAL YEAR 2004 LIMITATION ON NUMBER OF NON-DUAL STATUS TECHNICIANS.

The number of civilian employees who are non-dual status technicians of a reserve component of the Army or Air Force as of September 30, 2004, may not exceed the following:

- (1) For the Army Reserve, 895.
- (2) For the Army National Guard of the United States, 1,600.
- (3) For the Air Force Reserve, 90.
- (4) For the Air National Guard of the United States, 350.

TITLE V—MILITARY PERSONNEL POLICY

Subtitle A—Officer Personnel Policy

SEC. 501. REPEAL OF PROHIBITION AGAINST REGULAR NAVY OFFICERS TRANSFERRING BETWEEN LINE AND STAFF CORPS IN GRADES ABOVE LIEUTENANT COMMANDER.

(a) **REPEAL.**—Section 5582 of title 10, United States Code, is repealed.

(b) **CLERICAL AMENDMENT.**—The table of sections at the beginning of chapter 539 of such title is amended by striking the item relating to section 5582.

SEC. 502. RETENTION OF OFFICERS SERVING IN HEALTH PROFESSIONS TO FULFILL ACTIVE DUTY SERVICE COMMITMENTS FOLLOWING PROMOTION NON-SELECTION.

(a) **IN GENERAL.**—Subsection (a) of section 632 of title 10, United States Code, is amended—

- (1) by striking “or” at the end of paragraph (2);
 - (2) by striking the period at the end of paragraph (3) and inserting “; or”;
- and

(3) by adding at the end the following new paragraph:
 “(4) if on the date on which he is to be discharged under paragraph (1) a medical officer or dental officer or an officer appointed in a medical skill other than as a medical officer or dental officer (as defined in regulations prescribed by the Secretary of Defense) has yet to complete a period of active duty service obligation incurred under section 2005, 2114, 2123, or 2603 of this title, he shall be retained on active duty until completion of such service obligation, unless the Secretary concerned determines that completion of the active duty obligation is not in the best interest of the military department.”.

(b) **TECHNICAL AMENDMENT.**—Such subsection is further amended by striking “clause (1)” in paragraph (3) and inserting “paragraph (1)”.

SEC. 503. REQUIREMENT OF EXEMPLARY CONDUCT.

(a) **IN GENERAL.**—Chapter 3 of title 10, United States Code, is amended by inserting after section 121 the following new section:

“§ 121a. Requirement of exemplary conduct

“All commanding officers and others in authority in the Department of Defense are required—

“(1) to show in themselves a good example of virtue, honor, patriotism, and subordination;

“(2) to be vigilant in inspecting the conduct of all persons who are placed under their command or charge;

“(3) to guard against and to suppress all dissolute and immoral practices and to correct, according to applicable laws and regulations, all persons who are guilty of them; and

“(4) to take all necessary and proper measures, under the laws, regulations, and customs applicable to the armed forces, to promote and safeguard the morale, the physical well-being, and the general welfare of the officers, enlisted persons, and civilian persons under their command or charge.”.

(b) CONFORMING AND CLERICAL AMENDMENTS.—(1) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 121 the following new item:

“121a. Requirement of exemplary conduct.”.

(2) Title 10 is further amended as follows:

(A)(i) Section 3583 is repealed.

(ii) The table of sections at the beginning of chapter 345 is amended by striking the item relating to section 3583.

(B)(i) Section 5947 is repealed.

(ii) The table of sections at the beginning of chapter 551 is amended by striking the item relating to section 5947.

(C)(i) Section 8583 is repealed.

(ii) The table of sections at the beginning of chapter 845 is amended by striking the item relating to section 8583.

Subtitle B—Reserve Component Management

SEC. 511. READY RESERVE TRAINING REQUIREMENT.

Subsection (a) of section 10147 of title 10, United States Code, is amended to read as follows:

“(a) Except as specifically provided in regulations to be prescribed by the Secretary of Defense, or by the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a service in the Navy, each person who is enlisted, inducted, or appointed in an armed force, and who becomes a member of the Ready Reserve under any provision of law except section 513 or 10145(b) of this title, shall be required, while in the Ready Reserve, to participate in a combination of drills, training periods or active duty equivalent to 38 days, exclusive of travel, during each year.”.

SEC. 512. STREAMLINE PROCESS TO CONTINUE OFFICERS ON THE RESERVE ACTIVE STATUS LIST.

(a) CONTINUATION.—Section 14701 of title 10, United States Code, is amended—
(1) in subsection (a)—

(A) in paragraph (1), by striking “by a selection board convened under section 14101(b) of this title” and inserting “under regulations prescribed by the Secretary concerned”;

(B) in paragraph (6), by striking “as a result of the convening of a selection board under section 14101(b) of this title”;

(2) by striking subsections (b) and (c); and

(3) by redesignating subsection (d) as subsection (b).

(b) CONFORMING AMENDMENT.—Subsection (b) of section 14101 of such title is amended—

(1) by striking paragraph (1); and

(2) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

Subtitle C—Military Education and Training

SEC. 521. AUTHORITY FOR THE MARINE CORPS UNIVERSITY TO AWARD THE DEGREE OF MASTER OF OPERATIONAL STUDIES.

Section 7102 of title 10, United States Code, is amended—

(1) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(2) by inserting after subsection (b) the following new subsection (c):

“(c) COMMAND AND STAFF COLLEGE OF THE MARINE CORPS UNIVERSITY.—Upon the recommendation of the Director and faculty of the Command and Staff College of the Marine Corps University, the President of the Marine Corps University may confer the degree of master of operational studies upon graduates of the Command and Staff College’s School of Advanced Warfighting who fulfill the requirements for that degree.”.

SEC. 522. JOINT PROFESSIONAL MILITARY EDUCATION.

Section 663(e) of title 10, United States Code, is repealed.

Subtitle D—Administrative Matters

SEC. 531. ENHANCEMENTS TO PERSONNEL TEMPO PROGRAM.

(a) REVISIONS TO DEPLOYMENT LIMITS AND AUTHORITY TO AUTHORIZE EXEMPTIONS.—Section 991(a) of title 10, United States Code, is amended to read as follows:

“(a) SERVICE AND GENERAL OR FLAG OFFICER RESPONSIBILITIES.—The deployment (or potential deployment) of a member of the armed forces shall be managed to ensure the member is not deployed, or continued in a deployment, on any day on which the total number of days on which the member has been deployed out of the preceding 730 days would exceed 400, or a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness. The member may be deployed, or continued in a deployment, without regard to the preceding sentence if such deployment, or continued deployment, is approved by a member of the Senior Executive Service or the first general or flag officer (including officers in the grade of O-6 in such positions already selected for general or flag rank) in the member’s chain of command.”.

(b) CHANGES TO HIGH-DEPLOYMENT ALLOWANCE.—Section 436 of title 37, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

“(a) MONTHLY ALLOWANCE REQUIRED.—The Secretary of the military department concerned shall pay a high-deployment allowance to a member of the armed forces under the Secretary’s jurisdiction for each month during which the member—

“(1) is deployed; and

“(2) has, as of that day, been deployed for either or both of the following periods:

“(A) 401 or more days out of the preceding 730 days (or at a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness); or

“(B) 191 or more consecutive days (or for a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness).”;

(2) by amending subsection (c) to read as follows:

“(c) MAXIMUM RATE.—The maximum monthly rate of the allowance payable to a member under this section is \$1,000.”;

(3) in subsection (e), by striking “per diem” and inserting “allowance”;

(4) in subsection (f)—

(A) by striking “per diem” and inserting “allowance”; and

(B) by striking “day on” and inserting “month during”; and

(5) by adding at the end the following new subsection:

“(g) EXCLUDED BILLETS.—The Secretary concerned may exclude selected billets from eligibility for the high-deployment allowance upon approval by the Under Secretary of Defense for Personnel and Readiness. A billet may only be excluded on a prospective basis once the current incumbent has vacated that billet.”.

(c) CHANGES TO REPORTING REQUIREMENT.—Section 487(b)(5) of title 10, United States Code, is amended to read as follows:

“(5) For each of the armed forces, the description shall indicate the number of members who received the high-deployment allowance, the total number of months for which the allowance was paid to members, and the total amount spent on the allowance.”.

(d) CLERICAL AMENDMENTS.—(1) The heading of section 436 of title 37, United States Code, is amended to read as follows:

“§ 436. Monthly high-deployment allowance for lengthy or numerous deployments”;

and

(2) The item relating to that section in the table of sections at the beginning of chapter 7 of such title is amended to read as follows:

“436. Monthly high-deployment allowance for lengthy or numerous deployments.”.

SEC. 532. CONSISTENT TIME IN SERVICE RETIREMENT CRITERIA.

(a) OFFICERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 40 YEARS OF ACTIVE SERVICE.—Section 6321(a) of title 10, United States Code, is amended by striking “after completing 40 or more years” and inserting “and has at least 40 years”.

(b) OFFICERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 30 YEARS OF ACTIVE SERVICE.—Section 6322(a) of such is amended by striking “after completing 30 or more years” and inserting “and has at least 30 years”.

(c) OFFICERS IN NAVY OR MARINE CORPS WHO COMPLETED 20 YEARS OF ACTIVE SERVICE.—Section 6323(a)(1) of such title is amended by striking “after completing more than 20 years” and inserting “and has at least 20 years”.

(d) ENLISTED MEMBERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 30 YEARS OF ACTIVE SERVICE.—Section 6326(a) of such title is amended by striking “after completing 30 or more years” and inserting “and has at least 30 years”.

(e) TRANSFER OF ENLISTED MEMBERS TO THE FLEET RESERVE AND FLEET MARINE CORPS RESERVE.—Section 6330(b) of such title is amended by striking “who has completed 20 or more years” both places it appears and inserting “and has at least 20 years”.

(f) TRANSFER OF MEMBERS OF THE FLEET RESERVE AND FLEET MARINE CORPS RESERVE TO THE RETIRED LIST.—Section 6331(a) of such title is amended by striking “completed 30 years” and inserting “has at least 30 years”.

(g) EFFECTIVE DATE.—The Secretary of the Navy may determine the effective date of the amendments made by this section.

Subtitle E—Benefits

SEC. 541. AUTHORITY TO TRANSPORT REMAINS OF RETIREES WHO DIE IN MILITARY TREATMENT FACILITIES OUTSIDE THE UNITED STATES.

(a) AUTHORIZE TRANSPORT OUTSIDE THE UNITED STATES.—Section 1490 of title 10, United States Code, is amended—

(1) in subsection (a), by striking “located in the United States”; and

(2) in subsection (b)(1), by striking “outside the United States or to a place”.

(b) CONFORMING AMENDMENT.—Subsection (c) of such section is amended to read as follows:

“(c) In this section, the term ‘dependent’ has the meaning given such term in section 1072(2) of this title.”.

SEC. 542. CHANGE FAMILY SEPARATION HOUSING ALLOWANCE FROM AN ENTITLEMENT TO A DISCRETIONARY ALLOWANCE.

Section 403(d)(1) of title 37, United States Code, is amended by striking “is entitled to” and inserting “may be paid, at the discretion of the Secretary concerned.”.

SEC. 543. PAYMENT OF DEPENDENT STUDENT BAGGAGE STORAGE.

Section 430(b)(2) of title 37, United States Code, is amended by striking “during the dependent’s annual trip between the school and the member’s duty station” and inserting “one time per fiscal year”.

SEC. 544. MODIFICATION OF PROHIBITION ON REQUIREMENT OF NONAVAILABILITY STATEMENT OR PREAUTHORIZATION.

Section 721 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106–398; 114 Stat. 1654A–184), as enacted into law by Public Law 106–398, and as amended by Public Law 107–107, is hereby repealed.

Subtitle F—Military Justice Matters

SEC. 551. TECHNICAL AMENDMENT TO THE UNIFORM CODE OF MILITARY JUSTICE CONCERNING THE OFFENSE OF DRUNKEN OPERATION OF A VEHICLE, AIRCRAFT, OR VESSEL.

Section 911 of title 10, United States Code, is amended to read as follows:

“§911. Drunken or reckless operation of a vehicle, aircraft, or vessel

“(a) Any person subject to this chapter who—

"(1) operates or physically controls any vehicle, aircraft, or vessel in a reckless or wanton manner or while impaired by a substance described in section 912a(b) of this title, or

"(2) operates or is in actual physical control of any vehicle, aircraft, or vessel while drunk or when the alcohol concentration in the person's blood or breath is at or above the level prohibited under subsection (b), as shown by chemical analysis, shall be punished as a court-martial may direct.

"(b)(1) For purposes of subsection (a), the applicable limit on the alcohol concentration in a person's blood or breath is as follows:

"(A) In the case of the operation or control of a vehicle, aircraft, or vessel in the United States, the level is the blood or breath alcohol concentration prohibited under the law of the State in which the conduct occurred, except as may be provided under paragraph (2) for conduct on a military installation that is in more than one State, and subject to the prohibited alcohol concentration level specified in paragraph (3).

"(B) In the case of the operation or control of a vehicle, aircraft, or vessel outside the United States, the level is the blood alcohol concentration specified in paragraph (3) or such lower level as the Secretary of Defense may by regulation prescribe.

"(2) In the case of a military installation that is in more than one State, if those States have different levels for defining their prohibited blood alcohol concentrations under their respective State laws, the Secretary concerned for the installation may select one such level to apply uniformly on that installation.

"(3) For purposes of paragraph (1), the level of alcohol concentration prohibited in a person's blood is 0.10 grams or more of alcohol per 100 milliliters of blood and with respect to a person's breath is 0.10 grams or more of alcohol per 210 liters of breath, as shown by chemical analysis.

"(4) In this subsection, the term 'United States' included the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa and the term 'State' includes each of those jurisdictions."

Subtitle G—Other Matters

SEC. 561. BASIC TRAINING REQUIREMENT FOR CERTAIN MEMBERS ACCESSED UNDER A DIRECT ENTRY PROGRAM.

Paragraph (1) of section 671(c) of title 10, United States Code, is amended to read as follows:

"(1) Under regulations prescribed under paragraph (2), a period of basic training (or equivalent training) shorter than 12 weeks may be established by the Secretary concerned for members of the armed forces who—

"(A) have been credentialed in a medical profession or occupation and are serving in a health-care occupational specialty; or

"(B) have been accessed into a direct entry program established by the Secretary concerned based on unique skills acquired in a civilian occupation.

Any such period shall be established under regulations prescribed under paragraph (2) and may be established notwithstanding section 4(a) of the Military Selective Service Act (50 U.S.C. App. 454(a))."

SEC. 562. ALTERNATE INITIAL MILITARY SERVICE OBLIGATION FOR PERSONS ACCESSED UNDER DIRECT ENTRY PROGRAM.

Subsection (a) of section 651 of title 10, United States Code, is amended to read as follows:

"(a)(1) Each person who becomes a member of an armed force, other than a person described in paragraph (2), shall serve in the armed forces for a total initial period of not less than six years nor more than eight years, as provided in regulations prescribed by the Secretary of Defense for the armed forces under his jurisdiction and by the Secretary of Homeland Security for the Coast Guard when it is not operating as a service in the Navy, unless such person is sooner discharged under such regulations because of personal hardship. Any part of such service that is not active duty or that is active duty for training shall be performed in a reserve component.

"(2) A person is not subject to paragraph (1) if that person—

"(A) deferred under the next to the last sentence of section 6(d)(1) of the Military Selective Service Act (50 U.S.C. App. 456(d)(1)); or

"(B) accessed into a direct entry program established by the Secretary concerned based on unique skills acquired in a civilian occupation."

SEC. 563. JOINT WARFIGHTING CAPABILITIES FUNDING.

Section 166a(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(10) Joint warfighting capabilities.”.

SEC. 564. REAPPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF THE JOINT CHIEFS OF STAFF DURING NATIONAL EMERGENCY.

(a) REAPPOINTMENT OF THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Section 152(a) of title 10, United States Code, is amended—

(1) in paragraph (1), by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”; and

(2) in paragraph (3), by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”.

(b) REAPPOINTMENT OF THE VICE-CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Paragraph (3) of section 154(a) of such title is amended by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”.

TITLE VI—COMPENSATION AND OTHER PERSONNEL BENEFITS

Subtitle A—Pay and Allowances

SEC. 601. INCREASE IN BASIC PAY FOR FISCAL YEAR 2004.

(a) WAIVER OF SECTION 1009 ADJUSTMENT.—The adjustment to become effective during fiscal year 2004 required by section 1009 of title 37, United States Code, in the rates of monthly basic pay authorized members of the uniformed services shall not be made.

(b) INCREASE IN BASIC PAY FOR MEMBERS OF ARMED FORCES.—Effective on January 1, 2004, the rates of monthly basic pay for members of the armed forces within each pay grade are as follows:

COMMISSIONED OFFICERS ¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
0-10 ² ..	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
0-9	0.00	0.00	0.00	0.00	0.00
0-8	7,751.10	8,004.90	8,173.20	8,220.60	8,430.30
0-7	6,440.70	6,739.80	6,878.40	6,988.50	7,187.40
0-6	4,773.60	5,244.30	5,588.40	5,588.40	5,609.70
0-5	3,979.50	4,482.90	4,793.40	4,851.60	5,044.80
0-4	3,433.50	3,974.70	4,239.90	4,299.00	4,545.30
0-3 ³	3,018.90	3,422.40	3,693.90	4,027.20	4,220.10
0-2 ³	2,595.60	2,956.50	3,405.00	3,519.90	3,592.50
0-1 ³	2,253.60	2,345.10	2,834.70	2,834.70	2,834.70
	Over 8	Over 10	Over 12	Over 14	Over 16
0-10 ² ..	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
0-9	0.00	0.00	0.00	0.00	0.00
0-8	8,781.90	8,863.50	9,197.10	9,292.80	9,579.90
0-7	7,384.20	7,611.90	7,839.00	8,066.70	8,781.90
0-6	5,850.00	5,882.10	5,882.10	6,216.30	6,807.30
0-5	5,161.20	5,415.90	5,602.80	5,844.00	6,213.60
0-4	4,809.30	5,137.80	5,394.00	5,571.60	5,673.60
0-3 ³	4,431.60	4,568.70	4,794.30	4,911.30	4,911.30
0-2 ³	3,592.50	3,592.50	3,592.50	3,592.50	3,592.50

COMMISSIONED OFFICERS ¹—Continued

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
0-1 ³	2,834.70	2,834.70	2,834.70	2,834.70	2,834.70
	Over 18	Over 20	Over 22	Over 24	Over 26
0-10 ² ..	\$0.00	\$12,524.70	\$12,586.20	\$12,847.80	\$13,303.80
0-9	0.00	10,954.50	11,112.30	11,340.30	11,738.40
0-8	9,995.70	10,379.10	10,635.30	10,635.30	10,635.30
0-7	9,386.10	9,386.10	9,386.10	9,386.10	9,433.50
0-6	7,154.10	7,500.90	7,698.30	7,897.80	8,285.40
0-5	6,389.70	6,563.40	6,760.80	6,760.80	6,760.80
0-4	5,733.00	5,733.00	5,733.00	5,733.00	5,733.00
0-3 ³	4,911.30	4,911.30	4,911.30	4,911.30	4,911.30
0-2 ³	3,592.50	3,592.50	3,592.50	3,592.50	3,592.50
0-1 ³	2,834.70	2,834.70	2,834.70	2,834.70	2,834.70

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for commissioned officers in pay grades 0-7 through 0-10 may not exceed the rate of pay for level III of the Executive Schedule and the actual rate of basic pay for all other officers may not exceed the rate of pay for level V of the Executive Schedule.

² Subject to the preceding footnote, the rate of basic pay for an officer in this grade while serving as Chairman or Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, or Commandant of the Coast Guard, is \$14,679.30, regardless of cumulative years of service computed under section 205 of title 37, United States Code.

³ This table does not apply to commissioned officers in pay grade 0-1, 0-2, or 0-3 who have been credited with over 4 years of active duty service as an enlisted member or warrant officer.

XXIX

COMMISSIONED OFFICERS WITH OVER 4 YEARS OF ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
O-3E	\$0.00	\$0.00	\$0.00	\$4,027.20	\$4,220.10
O-2E	0.00	0.00	0.00	3,537.00	3,609.90
O-1E	0.00	0.00	0.00	2,848.50	3,042.30
	Over 8	Over 10	Over 12	Over 14	Over 16
O-3E	\$4,431.60	\$4,568.70	\$4,794.30	\$4,984.20	\$5,092.80
O-2E	3,724.80	3,918.60	4,068.60	4,180.20	4,180.20
O-1E	3,154.50	3,269.40	3,382.20	3,537.00	3,537.00
	Over 18	Over 20	Over 22	Over 24	Over 26
O-3E	\$5,241.30	\$5,241.30	\$5,241.30	\$5,241.30	\$5,241.30
O-2E	4,180.20	4,180.20	4,180.20	4,180.20	4,180.20
O-1E	3,537.00	3,537.00	3,537.00	3,537.00	3,537.00

WARRANT OFFICERS ¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
W-5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
W-4	3,119.40	3,355.80	3,452.40	3,547.20	3,710.40
W-3	2,848.80	2,967.90	3,089.40	3,129.30	3,257.10
W-2	2,505.90	2,649.00	2,774.10	2,865.30	2,943.30
W-1	2,212.80	2,394.00	2,515.20	2,593.50	2,802.30
	Over 8	Over 10	Over 12	Over 14	Over 16
W-5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
W-4	3,871.50	4,035.00	4,194.30	4,359.00	4,617.30
W-3	3,403.20	3,595.80	3,786.30	3,988.80	4,140.60
W-2	3,157.80	3,321.60	3,443.40	3,562.20	3,643.80
W-1	2,928.30	3,039.90	3,164.70	3,247.20	3,321.90
	Over 18	Over 20	Over 22	Over 24	Over 26
W-5	\$0.00	\$5,360.70	\$5,544.30	\$5,728.80	\$5,914.20
W-4	4,782.60	4,944.30	5,112.00	5,277.00	5,445.90
W-3	4,291.80	4,356.90	4,424.10	4,570.20	4,716.30
W-2	3,712.50	3,843.00	3,972.60	4,103.70	4,103.70
W-1	3,443.70	3,535.80	3,535.80	3,535.80	3,535.80

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for warrant officers may not exceed the rate of pay for level V of the Executive Schedule.

ENLISTED MEMBERS¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
E-9 ²	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E-8	0.00	0.00	0.00	0.00	0.00
E-7	2,145.00	2,341.20	2,430.60	2,549.70	2,642.10
E-6	1,855.50	2,041.20	2,131.20	2,218.80	2,310.00
E-5	1,700.10	1,813.50	1,901.10	1,991.10	2,130.60
E-4	1,558.20	1,638.30	1,726.80	1,814.10	1,891.50
E-3	1,407.00	1,495.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,086.00	0.00	0.00	0.00	0.00
	Over 8	Over 10	Over 12	Over 14	Over 16
E-9 ²	\$0.00	\$3,769.20	\$3,854.70	\$3,962.40	\$4,089.30
E-8	3,085.50	3,222.00	3,306.30	3,407.70	3,517.50
E-7	2,801.40	2,891.10	2,980.20	3,139.80	3,219.60
E-6	2,516.10	2,596.20	2,685.30	2,763.30	2,790.90
E-5	2,250.90	2,339.70	2,367.90	2,367.90	2,367.90
E-4	1,891.50	1,891.50	1,891.50	1,891.50	1,891.50
E-3	1,585.50	1,585.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,173.90	1,173.90	1,173.90	1,173.90	1,173.90
	Over 18	Over 20	Over 22	Over 24	Over 26
E-9 ²	\$4,216.50	\$4,421.10	\$4,594.20	\$4,776.60	\$5,054.70
E-8	3,715.50	3,815.70	3,986.40	4,081.20	4,314.30
E-7	3,295.50	3,341.70	3,498.00	3,599.10	3,855.00
E-6	2,809.80	2,809.80	2,809.80	2,809.80	2,809.80
E-5	2,367.90	2,367.90	2,367.90	2,367.90	2,367.90
E-4	1,891.50	1,891.50	1,891.50	1,891.50	1,891.50
E-3	1,585.50	1,585.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,173.90	1,173.90	1,173.90	1,173.90	1,173.90

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for enlisted members may not exceed the rate of pay for level V of the Executive Schedule.

² Subject to the preceding footnote, the rate of basic pay for an enlisted member in this grade while serving as Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, Sergeant Major of the Marine Corps, or Master Chief Petty Officer of the Coast Guard, is \$6,090.90, regardless of cumulative years of service computed under section 205 of title 37, United States Code.

³ In the case of members in pay grade E-1 who have served less than 4 months on active duty, the rate of basic pay is \$1,086.00.

(c) INCREASE IN BASIC PAY FOR MEMBERS OF THE UNIFORMED SERVICES NOT IN THE ARMED FORCES.—Effective on January 1, 2004, the monthly basic pay for members of the uniformed services not in the armed forces is increased by 2.0 percent.

SEC. 602. HOUSING ALLOWANCE FOR EACH MARRIED PARTNER WHEN BOTH ARE ON SEA DUTY AND THERE ARE NO OTHER DEPENDENTS.

Subparagraph (C) of subsection 403(f)(2) of title 37, United States Code, is amended to read as follows:

“(C) Notwithstanding section 421 of this title, two members of the uniformed services in a pay grade below pay grade E-6 who are married to each other, have no other dependents, and are simultaneously assigned to sea duty are each entitled to a basic allowance for housing during the period of such simultaneous sea duty. The amount of each member’s allowance shall be based on the without dependents rate for the pay grade of the member.”.

SEC. 603. AMENDMENT TO BASIC PAY FOR CERTAIN COMMISSIONED OFFICERS WITH PRIOR SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER.

Section 203(d)(2) of title 37, United States Code, is amended to read as follows:

“(2) Service to be taken into account for purposes of computing basic pay under paragraph (1) is as follows:

“(A) Active service as a warrant officer or as a warrant officer and an enlisted member.

“(B) Service as a warrant officer, as an enlisted member, or as a warrant officer and an enlisted member, for which at least 1,460 points have been credited to the officer for the purposes of section 12732(a)(2) of title 10.”.

Subtitle B—Bonuses and Special and Incentive Pays

SEC. 611. INCREASE MAXIMUM AMOUNT OF SELECTIVE REENLISTMENT BONUS.

Section 308(a)(2)(B) of title 37, United States Code, is amended by striking “\$60,000” and inserting “\$90,000”.

SEC. 612. MAKING ALL WARRANT OFFICERS ELIGIBLE FOR ACCESSION BONUS FOR NEW OFFICERS IN CRITICAL SKILLS.

Section 324 of title 37, United States Code, is amended—

(1) in subsection (a), by inserting “or an appointment” after “commission”; and

(2) in subsection (f), by inserting “or an appointment” after “commission”.

SEC. 613. INCENTIVE BONUS: LATERAL CONVERSION BONUS FOR CONVERTING TO UNDERMANNED MILITARY OCCUPATIONAL SPECIALTIES.

(a) **BONUS AUTHORIZED.**—Chapter 5 of title 37, United States Code, is amended by adding at the end the following new section:

“§ 326. Incentive bonus: lateral conversion bonus for converting to undermanned military occupational specialties

“(a) **AUTHORITY AND ELIGIBILITY REQUIREMENTS.**—

“(1) The Secretary concerned may pay a bonus to a member of the armed forces who agrees to serve in a military occupational specialty, rating or other military specialty defined by the member's armed force, that is designated by the Secretary concerned as undermanned for purposes of this bonus.

“(2) A bonus may only be paid under this section to a member who—

“(A) is entitled to basic pay;

“(B) is serving in pay grade E-6 (with less than 10 years of service) or E-5 and below (regardless of years of service); and

“(C) agrees to serve for a period of not less than two years in a military occupational specialty, rating or other military specialty designated by the Secretary concerned as undermanned for the purposes of this bonus.

“(b) **AMOUNT AND PAYMENT OF BONUS.**—

“(1) A bonus under this section may not exceed \$4,000.

“(2) Any bonus payable under this section shall be disbursed in one lump sum payment when the member's conversion to the new military specialty is approved by the personnel chief of the member's armed force, or his designee.

“(c) **RELATIONSHIP TO OTHER PAY AND ALLOWANCES.**—A bonus paid to a member under this section is in addition to any other pay and allowances to which the member is entitled.

“(d) **REPAYMENT OF BONUS.**—

“(1) A member who receives a bonus payment under this section and who voluntarily or through misconduct, fails to serve for the required period in the undermanned military occupational specialty, rating or other military specialty defined by the armed force for which the bonus was paid, shall refund to the United States an amount that bears the same ratio to the amount of the bonus paid to the member as the period that the member failed to serve bears to the total period for which the bonus was paid.

“(2) An obligation to reimburse the United States imposed under paragraph (1) is, for all purposes, a debt owed to the United States.

“(3) A discharge in bankruptcy under title 11 that is entered less than five years after the termination of service for which a bonus was paid under this section shall not discharge the person receiving such bonus payment from the debt arising under paragraph (1).

“(4) Under regulations prescribed pursuant to subsection (e), the Secretary concerned may waive, in whole or in part, an obligation to reimburse the United States imposed under paragraph (1) when the Secretary determines that recov-

ery would be against equity and good conscience or would be contrary to the best interests of the United States.

"(e) REGULATIONS.—The Secretaries concerned shall prescribe regulations to carry out this section. Regulations prescribed by the Secretary of a military department shall be subject to the approval of the Secretary of Defense.

"(f) TERMINATION OF BONUS AUTHORITY.—No bonus may be paid under this section with respect to any lateral conversion approved after September 30 of the third fiscal year that began after the date of enactment of this section."

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"326. Incentive bonus: lateral conversion bonus for converting to undermanned military occupational specialties."

SEC. 614. EXTENDING HOSTILE FIRE AND IMMINENT DANGER PAY TO RESERVE COMPONENT MEMBERS ON INACTIVE DUTY.

Section 310 of title 37, United States Code, is amended—

(1) in subsection (a), by inserting "under section 204, or to compensation under section 206 (as provided in subsection (b)(2)), of this title," after "basic pay"; and

(2) in subsection (b)(2), by inserting ", including a member who is entitled to compensation under section 206 of this title if performing inactive duty in an area that has not been designated as an imminent danger area or has not been under hostile fire but comes under hostile fire or an explosion of hostile mines during such inactive duty for training period," after "reserve component".

SEC. 615. EXPANDED EDUCATIONAL ASSISTANCE AUTHORITY FOR CADETS AND MIDSHIPMEN RECEIVING ROTC SCHOLARSHIPS.

(a) FINANCIAL ASSISTANCE PROGRAM FOR SERVICE ON ACTIVE DUTY.—Section 2107(c) of title 10, United States Code, is amended by adding at the end the following new paragraph:

"(3)(A) In the case of any cadet or midshipman eligible to receive financial assistance as provided under paragraph (1) or (2), the Secretary of the military department concerned may pay room and board expenses for such cadet or midshipman, and other expenses required by the educational institution, in lieu of all or part of the financial assistance described in paragraph (1).

"(B) The total amount of financial assistance, including the payment of room and board and other educational expenses, provided to a cadet or midshipman in an academic year under this subsection may not exceed an amount equal to the amount that could be provided as financial assistance for such cadet or midshipman under paragraph (1) or (2), or other amount determined by the Secretary concerned, without regard to whether room and board and other educational expenses for such cadet or midshipman are paid under this paragraph."

(b) FINANCIAL ASSISTANCE PROGRAM FOR SERVICE IN TROOP PROGRAM UNITS.—Section 2107a(c) of such title is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end the following new paragraph:

"(2)(A) In the case of any cadet eligible to receive financial assistance as provided under paragraph (1), the Secretary of the military department concerned may pay room and board expenses for such cadet, and other expenses required by the educational institution, in lieu of all or part of the financial assistance described in paragraph (1).

"(B) The total amount of financial assistance, including the payment of room and board and any other educational expenses, provided to a cadet in an academic year under this subsection may not exceed an amount equal to the amount that could be provided as financial assistance for such cadet under paragraph (1), or other amount determined by the Secretary of the Army, without regard to whether the room and board and other educational expenses for such cadet are paid under this paragraph."

SEC. 616. NOTICE AND WAIT PROVISION CONCERNING CRITICAL SKILLS RETENTION BONUS.

Section 323(b) of title 37, United States Code, is amended by striking paragraph (2).

SEC. 617. EXPANSION OF OVERSEAS TOUR EXTENSION INCENTIVE PROGRAM BENEFITS TO OFFICERS.

(a) REST AND RECUPERATIVE ABSENCE.—

(1) Section 705 of title 10, United States Code, is amended—

(A) by striking "enlisted" in the section heading; and

(B) in subsection (a), by striking “an enlisted” and inserting “a”.

(2) The item relating to such section in the table of sections at the beginning of chapter 40 of such title is amended to read as follows:

“705. Rest and recuperative absence for qualified members extending duty at designated locations overseas.”.

(b) SPECIAL PAY OR BONUS.—

(1) Section 314 of title 37, United States Code, is amended—

(A) by striking “enlisted” in the section heading;

(B) in subsection (a), by striking “an enlisted” and inserting “a”; and

(C) in subsection (b), by striking “an enlisted” and inserting “a”.

(2) The item relating to such section in the table of sections at the beginning of chapter 5 of such title is amended to read as follows:

“314. Special pay or bonus: qualified members extending duty at designated locations overseas.”.

SEC. 618. ONE-YEAR EXTENSION OF CERTAIN BONUS AND SPECIAL PAY AUTHORITIES FOR RESERVE FORCES.

(a) SPECIAL PAY FOR HEALTH PROFESSIONALS IN CRITICALLY SHORT WARTIME SPECIALTIES.—Section 302g(f) of title 37, United States Code, is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(b) SELECTED RESERVE REENLISTMENT BONUS.—Section 308b(f) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(c) SELECTED RESERVE ENLISTMENT BONUS.—Section 308c(e) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(d) SPECIAL PAY FOR ENLISTED MEMBERS ASSIGNED TO CERTAIN HIGH PRIORITY UNITS.—Section 308d(c) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(e) SELECTED RESERVE AFFILIATION BONUS.—Section 308e(e) of such title is amended by striking “December 31, 2001” and inserting “December 31, 2004”.

(f) READY RESERVE ENLISTMENT AND REENLISTMENT BONUS.—Section 308h(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(g) PRIOR SERVICE REENLISTMENT BONUS.—Section 308i(f) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(h) REPAYMENT OF EDUCATION LOANS FOR CERTAIN HEALTH PROFESSIONALS WHO SERVE IN THE SELECTED RESERVE.—Section 16302(d) of title 10, United States Code, is amended by striking “January 1, 2004” and inserting “January 1, 2005”.

SEC. 619. ONE-YEAR EXTENSION OF SPECIAL PAY AND BONUS AUTHORITIES FOR NUCLEAR OFFICERS.

(a) SPECIAL PAY FOR NUCLEAR-QUALIFIED OFFICERS EXTENDING PERIOD OF ACTIVE SERVICE.—Section 312(e) of title 37, United States Code, is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) NUCLEAR CAREER ACCESSION BONUS.—Section 312b(c) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(c) NUCLEAR CAREER ANNUAL INCENTIVE BONUS.—Section 312c(d) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

SEC. 620. ONE-YEAR EXTENSION OF AUTHORITIES RELATING TO PAYMENT OF OTHER BONUSES.

(a) AVIATION OFFICER RETENTION BONUS.—Section 301b(a) of title 37, United States Code, is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) REENLISTMENT BONUS FOR ACTIVE MEMBERS.—Section 308(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(c) ENLISTMENT BONUS.—Section 309(e) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(d) RETENTION BONUS FOR MEMBERS QUALIFIED IN A CRITICAL MILITARY SKILL.—Section 323(i) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(e) ACCESSION BONUS FOR NEW OFFICERS IN CRITICAL SKILLS.—Section 324(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

Subtitle C—Travel and Transportation Allowances

SEC. 621. SHIPMENT OF A PRIVATELY OWNED MOTOR VEHICLE WITHIN THE CONTINENTAL UNITED STATES.

(a) AUTHORITY TO PROCURE CONTRACT FOR TRANSPORTATION OF MOTOR VEHICLE.—Section 2634 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(i) In the case of a change of permanent station described in clause (A) or (B) of subsection (h)(1) of this section, the Secretary concerned may authorize the member to arrange shipment of the motor vehicle in lieu of transportation at the expense of the United States. The member may be paid a monetary allowance in lieu of transportation as established under section 404(d)(1) of title 37 and the member is responsible for any transportation costs in excess of such allowance.”.

(b) ALLOWANCE FOR SELF-PROCUREMENT OF TRANSPORTATION OF MOTOR VEHICLE.—Subparagraph (B) of section 406(b)(1) of title 37, United States Code, is amended by adding at the end the following new sentence: “In the case of the transportation of a motor vehicle arranged by the member under subsection (i) of section 2634 of title 10, the member, who has proof of shipment, may be paid a monetary allowance in lieu of transportation as established under section 404(d)(1) of this title.”.

Subtitle D—Other Matters

SEC. 631. PERMIT NON-SCHOLARSHIP SENIOR ROTC SOPHOMORES TO VOLUNTARILY CONTRACT AND RECEIVE SUBSISTENCE ALLOWANCE.

Section 209 of title 37, United States Code, is amended—

(1) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(2) by inserting after subsection (b) the following new subsection (c):

“(c) PILOT PROGRAM FOR CONTRACT OF NON-SCHOLARSHIP SENIOR ROTC MEMBERS.—(1) An eligible member of the Selected Reserve Officers’ Training Corps is entitled to a monthly subsistence allowance at a rate prescribed under subsection (a) for a maximum of twenty months.

“(2) To be eligible to receive a subsistence allowance under this subsection, a person must—

“(A) be a citizen of the United States;

“(B) enlist in an armed force under the jurisdiction of the Secretary of the military department concerned for the period prescribed by the Secretary;

“(C) contract, with the consent of his parent or guardian if he is a minor, with the Secretary of the military department concerned, or his designated representative, to serve for the period required by the program;

“(D) agree in writing that he will accept an appointment, if offered, as a commissioned officer in the Army, Navy, Air Force, or Marine Corps, as the case may be, and that he will serve in the armed forces for the period prescribed by the Secretary;

“(E) complete successfully the first year of a four-year Senior Reserve Officers’ Training Corps course;

“(F) not be eligible for advanced training under section 2104 of title 10;

“(G) not be appointed under section 2107 of title 10; and

“(H) execute a certificate of loyalty in such form as the Secretary of Defense prescribes or take a loyalty oath as prescribed by the Secretary.

“(3) This program will run as a pilot program for the period of three years beginning in January 2004. The Secretary of Defense will report to the Office of Management and Budget annually on the participation rates for the program with a cost evaluation of the program’s effectiveness. Such annual reports will be due by December 31 for each of the three years.”.

TITLE VII—HEALTH CARE PROVISIONS

SEC. 701. REVISION OF DEPARTMENT OF DEFENSE MEDICARE ELIGIBLE RETIREE HEALTH CARE FUND TO PERMIT MORE ACCURATE ACTUARIAL VALUATIONS.

Section 1115(c) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(6) In determining single level dollar amounts in subparagraphs (1)(A) and (1)(B), the Secretary of Defense may, if the Secretary determines that it would produce a more accurate and appropriate actuarial valuation, determine a separate single level dollar amount under either or both subparagraphs for any individual participating uniformed service. If the Secretary makes any such determination, the Secretary (or in the case of a participating uniformed service under the jurisdiction of another administering Secretary, the administering Secretary concerned) shall make corresponding calculations under section 1116(a) of this title for the contributions applicable to the affected uniformed services.”.

SEC. 702. APPLICABILITY OF THE FEDERAL ADVISORY COMMITTEE ACT TO THE PHARMACY AND THERAPEUTICS COMMITTEE.

Section 1074g(b)(1) of title 10, United States Code, is amended by adding at the end the following new sentence: “The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Pharmacy and Therapeutics Committee.”.

TITLE VIII—ACQUISITION POLICY, ACQUISITION MANAGEMENT, AND RELATED MATTERS

Subtitle A—Acquisition Policy and Management

SEC. 801. MILESTONE AUTHORIZATION OF SELECTED DEFENSE ACQUISITION PROGRAMS.

(a) **IN GENERAL.**—(1) Chapter 144 of title 10, United States Code is amended by adding after section 2435 the following new section:

“§ 2436. Milestone authorization

“(a) **DESIGNATION OF PARTICIPATING PROGRAMS.**—(1) The Secretary of Defense may designate defense acquisition programs in each military department to be considered for milestone authorization of appropriations under subsection (c).

“(2) The Secretary may designate a defense acquisition program under paragraph (1) only if the program—

“(A) is ready to proceed into system development and demonstration or production and deployment, or

“(B) is in either system development and demonstration or production and deployment.

“(b) **SUBMISSION OF BASELINE DESCRIPTIONS.**—Not later than the end of the 90-day period beginning on the date that a defense acquisition program is designated under subsection (a), the Secretary of Defense shall request from Congress that funds be authorized to be appropriated in a single amount sufficient to carry out the acquisition phase for which the baseline description is submitted.

“(c) **MILESTONE AUTHORIZATION.**—Congress shall authorize the appropriation of funds for the system development and demonstration, or the production and deployment of a program designated by the Secretary of Defense under subsection (a) in a single amount sufficient to carry out that phase, provided that such period for which funds may be obligated may not exceed six years.

“(d) **NO EFFECT ON STATUTORY AND REGULATORY REQUIREMENTS.**—Granting milestone authorization does not change any other statutory or regulatory requirements relating to defense acquisition programs.”.

(b) **CLERICAL AMENDMENT.**—The table of sections at the beginning of such chapter is amended by adding after the item relating to section 2435 the following new item:

“2436. Milestone authorization.”.

SEC. 802. CONTRACT CLOSEOUT.

(a) **IN GENERAL.**—The Secretary of Defense shall have the authority to promulgate regulations to settle the financial accounts for contracts executed prior to September 30, 1996 that are administratively complete and for which any unreconciled balance, either positive or negative, is less than \$100,000.

(b) **FINALITY OF DECISION.**—Decisions carried out in accordance with these regulations shall be final and conclusive upon the accounting officers of the United States.

SEC. 803. CLARIFICATION OF REQUIREMENT TO BUY CERTAIN ARTICLES FROM AMERICAN SOURCES; EXCEPTIONS.

Section 2533a of title 10, United States Code, is amended—

(1) in subsection (a)—

(A) by striking "subsections (c) through (h)" and inserting "subsections (b) through (i)"; and

(B) by striking "if the item is not grown, reprocessed, reused, or produced in the United States";

(2) in subsection (b), by amending paragraphs (1) through (3) to read as follows:

"(1) An article or item of—

"(A) meals ready-to-eat listed in Federal Supply Class 8970 unless the item is produced or manufactured in the United States;

"(B) clothing unless the item is grown, reprocessed, reused, or produced in the United States;

"(C) tents, tarpaulins, or covers unless the item is grown, reprocessed, reused, or produced in the United States;

"(D) cotton and other natural fiber products, woven silk or woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric (including all textile fibers and yarns that are for use in such fabrics), canvas products, or wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles) unless the item is grown, reprocessed, reused, or produced in the United States; or

"(E) any item of individual equipment manufactured from or containing such fibers, yarns, fabrics, or materials unless the item is grown, reprocessed, reused, or produced in the United States;

"(2) Equipment of the following Federal supply classifications that contain a specialty metal unless the specialty metal used to produce or manufacture the item, or an equivalent amount that is acquired by the contractor or a subcontractor, was smelted in the United States:

"(A) Weapons listed in Federal Supply Group 10.

"(B) Nuclear ordnance listed in Federal Supply Group 11.

"(C) Fire control equipment listed in Federal Supply Group 12.

"(D) Ammunition and explosives listed in Federal Supply Group 13.

"(E) Guided missiles listed in Federal Supply Group 14.

"(F) Aircraft and related components, accessories, and equipment listed in Federal Supply Groups 15, 16, and 17.

"(G) Space vehicles listed in Federal Supply Group 18.

"(H) Ships, small craft, pontoons, and floating docks listed in Federal Supply Group 19.

"(I) Ship and marine equipment listed in Federal Supply Group 20.

"(J) Passenger motor vehicles listed in Federal Supply Class 2310.

"(K) Tracked combat vehicles listed in Federal Supply Class 2350.

"(L) Engines, turbines, and components listed in Federal Supply Group

28.

For the purposes of this paragraph, 'specialty metal' means:

"(A) steel—

"(i) where the maximum alloy content exceeds one or more of the following limits: manganese, 1.65 percent; silicon, 0.60 percent; or copper, 0.60 percent; or

"(ii) that contains more than 0.25 percent of any of the following elements: aluminum, chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, or vanadium;

"(B) metal alloys consisting of nickel, iron-nickel, and cobalt base alloys containing a total of other alloying metals (except iron) in excess of 10 percent;

"(C) titanium and titanium alloys; or

"(D) zirconium and zirconium base alloys; and

"(3) Hand tools listed in Federal Supply Group 51 and measuring tools listed in Federal Supply Group 52 unless the item is produced or manufactured in the United States.";

(3) in subsection (c)—

(A) by striking "Subsection (a)" and inserting "This section"; and

(B) by striking "(1) or specialty metals (including stainless steel flatware)";

(4) in subsection (d)—

(A) in the catch line for such subsection, by striking "OUTSIDE THE UNITED STATES" and inserting "IN EXIGENT CIRCUMSTANCES";

(B) by striking "Subsection (a) does not apply" and inserting "This section does not apply";

(C) by revising paragraph (1) to read as follows:

“(1) Procurements of items listed in subsections (b)(1)(A), (b)(2), and (b)(3) in support of contingency operations as defined in section 101(a)(13) of this title, and procurements outside the United States of items listed in subsections (b)(1)(B) through (b)(1)(E) in support of combat operations.”;

(D) by revising paragraph (3) to read as follows:

“(3) Procurements of items listed in subsections (b)(1)(A), (b)(2), and (b)(3) of unusual and compelling urgency under the authority of section 2304(c)(2) of this title, and emergency procurements by an establishment located outside the United States of items listed in subsections (b)(1)(B) through (b)(1)(E) for the personnel attached to such establishment.”;

(5) by revising subsection (e) to read as follows:

“(e) EXCEPTION FOR SPECIALTY METALS AND CHEMICAL WARFARE PROTECTIVE CLOTHING.—(1) This section does not apply to the procurement of end items or components of equipment listed in subsection (b)(2) if the specialty metal used to produce or manufacture the item, or an equivalent amount that is acquired by the contractor or a subcontractor, was smelted in a foreign country that has a memorandum of understanding providing for reciprocal procurement of defense items that is entered into with the Department of Defense in accordance with section 2531 of this title.

“(2) This section does not apply to the procurement of chemical warfare protective clothing produced outside the United States if—

“(A) such procurement is necessary—

“(i) to comply with agreements with foreign governments requiring the United States to purchase supplies from foreign sources for the purposes of offsetting sales made by the United States Government or United States firms under approved programs serving defense requirements; or

“(ii) in furtherance of agreements with foreign governments in which both such governments agree to remove barriers to purchases of supplies produced in the other country or services performed by sources of the other country; and

“(B) any such agreement with a foreign government complies, where applicable, with the requirements of section 36 of the Arms Export Control Act (22 U.S.C. 2776) and with section 2457 of this title.”;

(6) in subsection (f), by striking “Subsection (a) does not preclude” and inserting “This section does not preclude”;

(7) in subsection (g), by striking “Subsection (a) does not apply” and inserting “This section does not apply”;

(8) in subsection (h), by striking “Subsection (a) does not apply” and inserting “This section does not apply”; and

(9) in subsection (i)—

(A) by striking “This section” and inserting “(1) Except as provided in paragraph (2), this section”; and

(B) by adding at the end the following new paragraph:

“(2) This section does not apply to commercial items, or components thereof, that are listed in sections (b)(1)(A), (b)(2), and (b)(3), except if the end item is specialty metal.”.

Subtitle B—Amendments to General Contracting Authorities, Procedures, and Limitations

SEC. 811. EXTEND USE OF THE DEFENSE MODERNIZATION ACCOUNT FOR LIFE CYCLE COST REDUCTION INITIATIVES.

(a) TITLE 10 AMENDMENTS.—Section 2216 of title 10, United States Code, is amended—

(1) by striking the catch line in subsection (c);

(2) by redesignating subsection (c) as paragraph (b)(5);

(3) by inserting after subsection (b) the following new subsection (c):

“(c) APPROPRIATIONS FOR LIFE CYCLE COST REDUCTION.—(1) Funds are authorized to be appropriated for fiscal years 2004–2006 in the amount of \$25,000,000 annually to the Defense Modernization Account for the purpose of providing startup funds for projects undertaken by a military department, Defense Agency, or other element of the Department of Defense to reduce the life cycle cost of new or existing systems in accordance with criteria established by the Secretary of Defense.

“(2) A military department, Defense agency, or other element of the Department of Defense that receives funds appropriated pursuant to paragraph (1) shall, upon achieving savings from such a project, reimburse the Account for the funds pre-

viously received. Funds transferred back to the Account pursuant to this paragraph shall be available for funding new projects under paragraph (1)."

(4) in subsection (d), by striking "Authorized Use of Funds.—Funds available from the Defense Modernization Account pursuant to subsection (f) or (g) may be used for the following purposes:" and inserting "Authorized Use of Transferred Funds.—Funds transferred to the Defense Modernization Account pursuant to subsection (b) may be used for the following purposes:"; and

(5) in paragraph (f)(1), by striking the sentence beginning with "The Secretary" and inserting "The Secretary of Defense may transfer funds in the Defense Modernization Account to appropriations available to the Department of Defense for the purposes set forth in subsections (c) and (d)."

(b) **EXTENSION OF AUTHORITY.**—Subsection (c) of section 912 of the National Defense Authorization Act for Fiscal Year 1996 (Public Law 104–106; 110 Stat. 410) is amended to read as follows:

"(c) **EXPIRATION OF AUTHORITY AND ACCOUNT.**—(1) The authority under section 2216(b) of title 10, United States Code, to transfer funds into the Defense Modernization Account and the authorization under section 2216(c) of such title to appropriate funds to the Defense Modernization Account shall terminate on September 30, 2006.

"(2) The Defense Modernization Account shall be closed on September 30, 2011, and any remaining balance in the Account shall be cancelled and thereafter shall not be available for any purpose."

SEC. 812. EXTENSION AND CLARIFICATION OF AUTHORITY TO CARRY OUT CERTAIN PROTOTYPE PROJECTS.

Section 845 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103–160; 107 Stat. 1547) is amended in subsection (g), by striking "September 30, 2004" and inserting "September 30, 2008".

SEC. 813. OTHER TRANSACTION AUTHORITY FOR MODERNIZING LEGACY SYSTEMS.

Section 845(a) of National Defense Authorization Act for Fiscal Year 1994 (Public Law 103–160; 107 Stat. 1547) is amended by inserting ", or are improvements to weapons or weapon systems currently fielded by the Department of Defense" after "Department of Defense".

SEC. 814. AUTHORITY FOR CERTAIN DOD COMPONENTS TO AWARD PERSONAL SERVICES CONTRACTS.

(a) Notwithstanding any other provision of law, sums made available by appropriation or otherwise to a covered component, as defined in subsection (b), may be expended for personal services contracts necessary to carry out the covered component's missions, including personal services without regard to limitations on types of persons to be employed.

(b) The term "covered component" includes—

(1) any Department of Defense component that is an element of the Intelligence Community, as defined in Section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a);

(2) any element of the Office of the Secretary of Defense designated by the Secretary of Defense for purposes of this section; and

(3) the United States Special Operations Command when engaged in special operations activities delineated in 10 U.S.C. 167(j)(1)–(4).

SEC. 815. ELIMINATION OF SUBCONTRACT NOTIFICATION REQUIREMENTS.

Section 2306(e) of title 10, United States Code, is amended to read as follows:

"(e) Except for contracts with a contractor that maintains a purchasing system approved by the cognizant contracting officer, each cost contract and each cost-plus-a-fixed-fee contract shall require the contractor to provide notice to the agency, prior to the award under a prime contract, of—

"(1) a cost-plus-a-fixed-fee subcontract; or

"(2) a fixed-price subcontract or purchase order involving more than the greater of—

"(A) the simplified acquisition threshold; or

"(B) five percent of the estimated cost of the prime contract."

SEC. 816 . EXCEPTION FOR REPLACEMENT BALL BEARINGS AND ROLLER BEARINGS TO BE USED IN A COMPONENT OF NON-DOMESTIC ORIGIN.

Section 2534(a)(5) of title 10, United States Code, is amended by inserting before the period at the end the following: ", other than ball bearings and roller bearings to be used in an end product or a component of non-domestic origin".

SEC. 817. INDUSTRY ASSIGNMENT PROGRAM.

(a) IN GENERAL.—Chapter 81 of title 10, United States Code, is amended by inserting after section 1599c the following new section:

“§ 1599d. Government industry assignment program

“(a) AUTHORITY.—The Secretary of Defense may establish a pilot program for the temporary assignment of non-governmental personnel who are employed in the private sector to the Department of Defense. The Secretary may promulgate regulations for such purpose.

“(b) PURPOSE.—This program is designed to improve the Department's acquisition-related processes and procedures. It would accomplish this through an infusion of new and modern ideas by the temporary assignment in the Department of non-governmental personnel who are employed by private industry. The private sector employees would be compensated by their private employer yet would be subject generally to governmental requirements that are in force for Federal employees. The Department would provide the private employer the benefit of a career enhancement for its private sector employees who participate in the program.

“(c) LIMITATIONS.—(1) This program is limited to those individuals in private sector positions whose duties, as determined by the Secretary, are comparable to defense acquisition positions.

“(2) Each such assignment shall be based on a written agreement between the Department of Defense, the private sector employer, and the employee concerned, which shall include nondisclosure provisions addressing the use and disclosure of classified and unclassified information in the possession or under the control of the Department of Defense that has not been released to the public and which shall also include the Federal laws and penalties applicable to the disclosure of classified information, including, but not limited to section 798 of title 18, United States Code.

“(3) During the period of an assignment made pursuant to this section, a private sector employee—

“(A) is not entitled to pay from the Department of Defense, except, as determined by the Secretary on a case by case basis, to the extent that the pay received from the private sector employer is less than the appropriate rate of pay which the duties would warrant under the applicable pay provisions of this title, title 5, United States Code, or other applicable authority;

“(B) is deemed an employee of the Department of Defense, subject to section 7353 of title 5, United States Code; sections 201, 203, 205, 207, 208, 209, 219, 602, 603, 606, 607, 610, 643, 654, 1905, 1913 and other provisions of title 18, United States Code, not specifically exempted herein; sections 1343, 1344, and 1349(b) of title 31, United States Code; the Federal Tort Claims Act (28 U.S.C. 2671 et seq.); any other Federal tort liability statute; section 27 of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 423) and regulations implementing that Act; the Ethics in Government Act of 1978 (5 U.S.C. App.) and regulations implementing that Act; and any other provisions of Federal law not specifically exempted herein. Notwithstanding section 209 of title 18, United States Code, the private sector employer may pay, contribute to, or supplement the salary or other benefits of such private sector employee (who may accept such pay, contributions, and benefits), subject to the terms of the written private sector employee assignment agreement required in paragraph (c)(2) above;

“(C) is also deemed an employee of his or her private sector employer for purposes of section 208 of title 18, United States Code;

“(D) is subject to such regulations that the Secretary may prescribe, which shall incorporate by reference executive branch standards of ethical conduct and any authorized agency supplemental standards of conduct and which shall include as a minimum—

“(i) limitations on the number of participants (no more than 400);

“(ii) length of temporary assignments (up to two years);

“(iii) protection of government information;

“(iv) procedures for avoidance of conflicts of interest, including selection of program priorities and funding decisions that may involve the assignee's employer or its competitors, and avoidance of the appearance of conflicts of interest; and

“(v) exclusions from the performance of inherently governmental functions, such as policy-making and supervision of government employees; and

“(vi) methodology and criteria for evaluation of the pilot; and

“(E) is not deemed to be an employee for purposes of federal employee pay and benefits under title 5, United States Code, except as provided for under this subsection.

“(d) WORKERS COMPENSATION COVERAGE.—

"(1) A private sector employee assigned to the Department of Defense pursuant to this section shall not be deemed an employee of the United States for the purposes of Chapter 81 of title 5, United States Code, (relating to compensation for injury).

"(2) Notwithstanding any other law, the United States, any instrumentality of the United States; or an employee, agent, or assign of the United States shall not be liable to:

"(A) a private sector employee assigned to the Department of Defense pursuant to this section;

"(B) such employee's legal representative, spouse, dependents, survivors and next of kin; and

"(C) any other person, including any third party as to whom such employee, or his or her legal representative, spouse, dependents, survivors, or next of kin, has a cause of action arising out of an injury or death sustained in the performance of duty pursuant to an assignment under this section, otherwise entitled to recover damages from the United States, any instrumentality of the United States, or any employee, agent, or assign of the United States—

with respect to any injury or death suffered by a private sector employee sustained in the performance of duty pursuant to an assignment under this section.

"(e) DEFINITIONS.—In this section:

"(1) The term 'private sector employer' means a corporation, partnership, sole proprietorship, or other entity operated on a for-profit basis. It may, at the option of the Secretary, also include 'other organizations' as defined in section 3371 of title 5.

"(2) The term 'acquisition position' has the same meaning as in section 1721(b) of this title.

"(3) The term 'assignment' means an assignment under an arrangement made pursuant to the section under which a private sector employee is assigned to the Department of Defense by being appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service or being deemed to be detailed to the Department of Defense.

"(4) The term 'government employee' means an 'employee' as defined in section 2105 of title 5.

"(f) EXPIRATION.—The Secretary may not assign non-governmental personnel who are employed in the private sector to the Department of Defense under the provisions of this section after the last day of the fifth year beginning with the effective date of this Act."—

(b) REPORTING REQUIREMENT.—During the fourth year after the enactment of this Act, the Secretary of Defense, with input from the Inspector General of the Department of Defense, and in consultation with the Director of the Office of Personnel Management, shall evaluate the program authorized under this section and prepare a report for the President that includes an analysis of the use of the authorities of this section, including conflict of interest standards, and the costs and benefits of assignments made pursuant to this section.

(c) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter 81 is amended by inserting after the item relating to section 2331 the following new item:

"1599d. Government industry assignment program.".

Subtitle C—Acquisition-Related Reports and Other Matters

SEC. 821. ELIMINATION OF THE REQUIREMENT TO FURNISH WRITTEN ASSURANCES OF TECHNICAL DATA CONFORMITY.

Section 2320(b) of title 10, United States Code, is amended—

- (1) by striking paragraph (7); and
- (2) by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively.

SEC. 822. CONVERSIONS OF COMMERCIAL ACTIVITIES.

(a) CHANGES TO ELEMENTS OF ANALYSIS.—Paragraph (3)(A) of section 2461(b) of title 10, United States Code, is amended—

- (1) by striking "of the cost";
- (2) by striking "savings" and inserting "the best value";
- (3) by redesignating subsection (iii) as subsection (iv); and
- (4) by inserting after clause (ii) the following new clause (iii):

“(iii) Benefits in addition to price that warrant performance of the function by a source at a cost higher than that of performance by Department of Defense civilian employees.”.

(b) **CONTRACTING IF BEST VALUE.**—Section 2462(a) of such title is amended by striking “such a source can provide such supply or service to the Department at a cost that is lower (after including any cost differential required by law, Executive order, or regulation) than the cost at which the Department can provide the same supply or service” and inserting “performance by that source represents the best value to the Government, determined in accordance with the competition requirements of OMB Circular A-76.”.

SEC. 823. MAKE PERMANENT THE AUTHORITY TO ENTER INTO CERTAIN PERSONAL SERVICES CONTRACTS.

Section 1091(a)(2) of title 10, United States Code, is amended by striking “The Secretary may not enter into a contract under this paragraph after December 31, 2003.”.

TITLE IX—DEPARTMENT OF DEFENSE ORGANIZATION AND MANAGEMENT

Subtitle A—Duties and Functions of Department of Defense Officers

SEC. 901. ALTERNATIVE AUTHORITY FOR ACQUISITION AND IMPROVEMENT OF MILITARY HOUSING.

(a) **UNIT SIZE AND TYPE.**—Section 2880(b)(2) of title 10, United States Code, is amended by striking “unless the unit is located on a military installation”; and

(b) **DEPARTMENT OF DEFENSE HOUSING FUND.**—(1) Section 2883 of title 10, United States Code is amended—

(A) by striking subsections (a), (b), and (c);

(B) by inserting the following new subsections (a) and (b):

“(a) **ESTABLISHMENT.**—There is hereby established on the books of the Treasury the Department of Defense Housing Improvement Fund.

“(b) **CREDITS TO FUNDS.**—There shall be credited to the Department of Defense Housing Improvement Fund the following:

“(1) Amounts authorized for and appropriated to that Fund.

“(2) Subject to subsection (e), any amounts that the Secretary of Defense transfers, in such amounts as provided in appropriation Acts to that Fund from amounts authorized and appropriated to the Department of Defense for the acquisition or construction of military family housing or military unaccompanied housing.

“(3) Proceeds from the conveyance or lease of property or facilities under section 2878 of this title for the purpose of carrying out activities under this subchapter with respect to military family housing or military unaccompanied housing.

“(4) Income derived from any activities under this subchapter with respect to military family housing or military unaccompanied housing, including income and gains realized from investments under section 2875 of this title and any return of capital invested as part of such investments.

“(5) Any amounts that the Secretary of the Navy transfers to that Fund pursuant to section 2814(i)(3) of this title, subject to the restrictions on the use of the transferred amounts specified in that section.”;

(C) by redesignating subsections (d), (e), (f), and (g) as (c), (d), (e), and (f) respectively;

(D) in the newly redesignated subsection (c)—

(i) by striking “Family in paragraph (1);

(ii) by striking paragraph (2); and

(iii) by redesignating paragraph (3) as (2);

(E) in the newly redesignated subsection (e) by striking “a Fund under paragraph (1)(B) or (2)(B) of subsection (c)” and inserting “the Fund under paragraph (2) of subsection (b)”;

(F) in subsection (f) as relettered by subparagraph (C) of this paragraph—

(i) by striking “\$850,000,000” in paragraph (1) and inserting “\$1,700,000,000”; and

(ii) by striking “\$150,000,000” in paragraph (2) and inserting — “\$300,000,000”;

(2) Section 2871(6) of title 10, United States Code, is amended by striking "Family Housing Improvement Fund or the Department of Defense Military Unaccompanied Housing Improvement Fund" and inserting "Housing Improvement Fund"; and

(3) Section 2875(e) of title 10, United States Code, is amended by striking "Family Housing Improvement Fund or the Department of Defense Military Unaccompanied Housing Improvement Fund" and inserting "Housing Improvement Fund".

Subtitle B—Space Activities

SEC. 911. AUTHORIZE PROVISION OF SPACE SURVEILLANCE NETWORK SERVICES TO NON-UNITED STATES GOVERNMENTAL ENTITIES.

(a) IN GENERAL.—Chapter 136 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 2283. Space surveillance network

"(a) SATELLITE TRACKING SERVICES.—To support the establishment of an experimental pilot program, The Secretary of Defense is authorized to establish procedures under which non-United States Federal governmental entities, including but not limited to U.S. and non-U.S. commercial entities, state and local government entities and foreign governments, may purchase, directly or through a contractor, satellite tracking services from assets owned or controlled by the Department of Defense. The Secretary may include in such transactions the provision and analysis of satellite data if he determines it is in the national security interests of the United States. Any proposed sale to a foreign government or foreign commercial entity shall be subject to the concurrence of the Secretary of State to ensure its consistency with United States foreign policy interests. The pilot program shall be conducted during a three-year period beginning not later than 180 days after the date of the enactment of this Act.

"(b) REIMBURSEMENT OF COSTS.—In the case of any purchase made by a non-United States Federal governmental entity under the procedures established under subsection (a), the Secretary of Defense may require the non-United States Federal governmental entity to reimburse the Department of Defense for the costs to the Department of such purchase.

"(c) DEPOSIT OF FUNDS RECEIVED.—Funds received pursuant to the sales authorized in subsection (a) shall be credited to accounts of the Department of Defense that are current when the proceeds are received and that are available for the same purposes as the accounts originally charged to perform the services. Funds so credited are to merge with and become available for obligation for the same period as the accounts to which they are credited.

"(d) NON-TRANSFERABILITY AGREEMENT.—The Department will require all non-United States Federal governmental entities to execute a binding commitment not to transfer any data or technical information, including the analysis of the tracking data, to any other entity without the Department's expressed approval. In the case of foreign governments and foreign commercial entities, the Department's approval will be subject to the concurrence of the Department of State.

"(e) PROHIBITION CONCERNING INTELLIGENCE ASSETS OR DATA.—Nothing in this section shall be deemed to authorize the provision of services or information concerning, or derived from, United States intelligence assets or data."

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"2283. Space surveillance network."

Subtitle C—Reports

SEC. 921. REPEAL OF VARIOUS REPORTS REQUIRED OF THE DEPARTMENT OF DEFENSE.

(a) PROVISIONS OF TITLE 10.—Title 10, United States Code, is amended—

(1) in section 113—

(A) by striking subsection (j);

(B) by striking subsection (m); and

(C) by redesignating subsections (k) and (l) as (j) and (k), respectively;

(2) in section 116—

(A) by repealing this entire section in chapter 2; and

(B) by amending the table of sections at the beginning of such chapter

2 by striking the item relating to section 116;

- (3) in section 117—
 - (A) by striking subsection (e); and
 - (B) by redesignating subsection (f) as subsection (e);
- (4) in section 127, by striking subsection (d);
- (5) in section 127a—
 - (A) by striking subparagraph (a)(3);
 - (B) by redesignating subparagraph (a)(4) as subparagraph (a)(3);
 - (C) by striking subsection (d); and
 - (D) by redesignating subsections (e) through (i) as subsections (d) through (h), respectively;
- (6) in section 129, by striking subsection (f);
- (7) in section 153, by striking subsection (d);
- (8) in section 184—
 - (A) by amending subsection (a) to read as follows:

“(a) AUTHORITY TO ESTABLISH REGIONAL CENTER FOR SECURITY STUDIES.—The Secretary of Defense may establish such regional centers for security studies as he deems necessary and appropriate.”;

- (B) by striking subsection (b); and
 - (C) by redesignating subsection (c) as subsection (b);
- (9) for section 228—
 - (A) by repealing this entire section in chapter 9; and
 - (B) by amending the table of sections at the beginning of such chapter by striking the item relating to section 228;
- (10) in section 401—
 - (A) by striking subsection (d); and
 - (B) by redesignating subsection (e) as subsection (d);
- (11) in section 437—
 - (A) by striking subsections (b) and (c);
 - (B) by redesignating subsection (d) as subsection (b);
- (12) in section 482—
 - (A) by repealing this entire section in chapter 23; and
 - (B) by amending the table of sections for such chapter by striking the item relating to section 482;
- (13) in section 483—
 - (A) by repealing this entire section in chapter 23; and
 - (B) by amending the table of sections for such chapter by striking the item relating to section 483;
- (14) in section 484—
 - (A) by repealing this entire section in chapter 23; and
 - (B) by amending the table of sections for such chapter by striking the item relating to section 484;
- (15) in section 487—
 - (A) by repealing this entire section in chapter 23; and
 - (B) by amending the table of sections for such chapter by striking the item relating to section 487;
- (16) in section 520c—
 - (A) by striking subsections (b) and (c); and
 - (B) by striking the designator and the catch line in the preceding matter;
 - (C) by amending the section title to read: “§ 520c. Provision of meals and refreshments for recruiting purposes”; and
 - (D) by amending the table of sections at the beginning of chapter 31 by replacing the item relating to section 520c with the following new item:

“520c. Provision of meals and refreshments for recruiting purposes.”;

- (17) in section 664(i), (4)(F)(ii), by striking “and notifies Congress upon each approval, providing the criteria that led to that approval”;
- (18) in section 983(e)(1), by striking “and to Congress”;
- (19) in section 986, by striking subsection (e);
- (20) in section 1060—
 - (A) by striking subsection (d); and
 - (B) by redesignating subsections (e), through (g) as subsections (d) through (f) respectively;
- (21) in section 1130—
 - (A) by striking subsection (b); and
 - (B) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively;
- (22) in section 1557—

- (A) by striking subsection (e); and
- (B) by redesignating subsection (f) as subsection (e);
- (23) in section 1563—
- (A) by repealing this entire section in chapter 80; and
- (B) by amending the table of sections for such chapter by striking the item relating to section 1563;
- (24) in section 1597, by striking subsections (c) through (e);
- (25) in section 2010—
- (A) by striking subsection (b); and
- (B) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively;
- (26) in section 2011, by striking subsection (e).
- (27) in section 2166, by striking subsection (h);
- (28) in section 2208, in subsection (j)(2), by striking “and notifies Congress regarding the reasons for the waiver”;
- (29) in section 2212—
- (A) by striking subsections (d) and (e); and
- (B) by redesignating subsection (f) as subsection (d);
- (30) in section 2214—
- (A) by striking subsection (c); and
- (B) by redesignating subsection (d) as subsection (e);
- (31) in section 2216—
- (A) by striking subsection (i); and
- (B) by redesignating subsection (j) as subsection (i);
- (32) in section 2222—
- (A) by repealing this entire section in chapter 131; and
- (B) by amending the table of sections for such chapter by striking the item relating to section 2222;
- (33) in section 2255(b)—
- (A) by striking paragraph (2); and
- (B) by striking the designator “(1)” after the catch line;
- (34) in section 2281—
- (A) by striking subsection (d); and
- (B) by redesignating subsection (e) as subsection (d);
- (35) in section 2282—
- (A) by repealing this entire section in chapter 136; and
- (B) by amending the table of sections for such chapter by striking the item relating to section 2282;
- (36) in section 2306b—
- (A) by striking subsection (i);
- (B) in subsection (l)—
- (i) by striking paragraphs (1) and (6);
- (ii) by redesignating paragraphs (2) through (10) of subsection (l) as paragraphs (1) through (8), respectively; and
- (C) by redesignating subsections (j) through (l) as subsections (i) through (k), respectively;
- (37) in section 2327(c)(1)—
- (A) in subparagraph (A), by striking “after the date on which such head of an agency submits to Congress a report on the contract” and inserting “if in the best interests of the government”;
- (B) by striking subparagraph (B); and
- (C) by redesignating subparagraph (C) as subparagraph (B);
- (38) in section 2350a—
- (A) by striking subsection (f); and
- (B) in subsection (g), by striking paragraph (3);
- (39) in section 2350b—
- (A) by striking subsection (d);
- (B) by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively;
- (40) in section 2350j—
- (A) by striking subsection (e); and
- (B) by redesignating subsections (f) and (g) as subsections (e) and (f), respectively;
- (41) in section 2367, by striking subsections (c) and (d);
- (42) in section 2374a—
- (A) by striking subsection (e); and
- (B) by redesignating subsection (f) as subsection (e);
- (43) in section 2401—

- (A) in subsection (a), by striking “only as provided in subsection (b)” both times such phrase appears in the subsection;
- (B) by striking subsection (b); and
- (C) by redesignating subsections (c) through (f) as subsections (b) through (e), respectively;
- (44) in section 2410i, in subsection (c), by striking the last sentence;
- (45) in section 2410m, by striking subsection (c);
- (46) in section 2457—
 - (A) by striking subsection (d); and
 - (B) by redesignating subsections (e) and (f) as subsections (d) and (e), respectively;
- (47) in section 2461a—
 - (A) by striking subsection (d); and
 - (B) by redesignating subsection (e) as subsection (d);
- (48) in section 2464, by striking paragraph (3) in subsection (b);
- (49) in section 2467, by striking subsection (c);
- (50) in section 2472, by striking subsection (b);
- (51) in section 2493, by striking subsection (g);
- (52) for section 2504—
 - (A) by repealing the entire section in chapter 148; and
 - (B) by amending the section of tables for such chapter by striking all references to section 2504;
- (53) in section 2515, by striking subsection (d);
- (54) in section 2521, by striking subsection (e);
- (55) in section 2536—
 - (A) by striking paragraph (2) in subsection (b), and by striking designator (1) after the catch line; and
 - (B) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively; and
 - (C) by redesignating subparagraphs (i) and (ii) as subparagraphs (A) and (B), respectively;
- (56) in section 2537—
 - (A) by striking subsection (b); and
 - (B) by redesignating subsection (c) as subsection (b);
- (57) in section 2541d—
 - (A) by striking subsection (b); and
 - (B) by striking the “(a)” and the catch line in the remaining matter;
- (58) in section 2561—
 - (A) by striking subsections (c), (d) and (f); and
 - (B) by redesignating subsection (e) as subsection (c);
- (59) in section 2563, by striking “and notifies Congress regarding the reasons for the waiver” in subsection (c)(2);
- (60) in section 2631, by striking the last sentence in subsection (b)(3);
- (61) in section 2645—
 - (A) by striking subsection (d);
 - (B) by striking subsection (g); and
 - (C) by redesignating subsections (e), (f), and (h) as subsections (d), (e), and (f), respectively;
- (62) in section 2662—
 - (A) by striking subsection (e);
 - (B) by redesignating subsections (f) and (g) as subsections (e) and (f), respectively; and
 - (C) in subsection (f), as redesignated by subparagraph (B), by striking “, and the reporting requirement set forth in subsection (e) must not apply with respect to a real property transaction otherwise covered by that subsection,”;
- (63) in section 2667a (c)—
 - (A) by striking paragraph (2);
 - (B) by striking designator (1) after the catch line;
- (64) in section 2676, in subsection (d), by striking all after “is approved by the Secretary concerned” and inserting a period;
- (65) in section 2680, by striking subsection (e);
- (66) in section 2688—
 - (A) by striking subsection (e);
 - (B) by redesignating subsections (f) through (i) as subsections (e) through (h), respectively; and
 - (C) in subsection (f), as redesignated by subparagraph (B), by striking the last sentence;

- (67) in section 2696—
 - (A) by striking subsections (c) and (d); and
 - (B) by redesignating subsection (e) as subsection (c);
- (68) in section 2703(b)(2)—
 - (A) by striking subparagraph (B);
 - (B) by striking the designator “(A)” which precedes “determines that permanent relocation—”;
 - (C) by striking the dash that follows “such paragraph unless the Secretary” in paragraph (2);
 - (D) by realigning the previously designated subparagraph (A) to follow at the end of paragraph (2); and
 - (E) by redesignating clauses (i) through (iii) as subparagraphs (A) through (C), respectively;
- (69) in section 2805—
 - (A) in subsection (b), by striking paragraph (2); and
 - (B) by striking the designator “(1)” that precedes the remaining matter;
- (70) in section 2807—
 - (A) by striking subsections (b) and (c); and
 - (B) by redesignating subsection (d) as subsection (b);
- (71) in section 2809, by striking subsection (f);
- (72) in section 2811—
 - (A) by striking subsection (d); and
 - (B) by redesignating subsection (e) as subsection (d);
- (73) in section 2812—
 - (A) in subsection (c), by striking paragraph (1);
 - (B) by striking the designator “(2)” that precedes the remaining matter;
- (74) in section 2813, by striking subsection (c);
- (75) in section 2815—
 - (A) by repealing this entire section in chapter 169; and
 - (B) by amending the table of section at the beginning of such chapter by striking the item relating to section 2815;
- (76) in section 2825—
 - (A) in subparagraph (b)(1)(B)—
 - (i) by striking clause (ii);
 - (ii) by striking “, and” at the end of clause (i); and
 - (iii) by striking the designator “(i)” in the remaining text following “in the preceding sentence if”;
 - (B) in subsection (c)(1)—
 - (i) by striking subparagraphs (C) and (D);
 - (ii) by inserting “and” at the end of subparagraph (A); and
 - (iii) by striking the semicolon at the end of subparagraph (B) and inserting a period;
- (77) in section 2826—
 - (A) by striking subsection (b); and
 - (B) by redesignating subsections (c) through (i) as subsections (b) through (h), respectively;
- (78) in section 2827—
 - (A) by striking subsection (b); and
 - (B) by striking “(a) Subject to subsection (b), the Secretary” and inserting “The Secretary”;
- (79) in section 2828—
 - (A) by striking subsection (f); and
 - (B) by redesignating subsection (g) as subsection (f);
- (80) in section 2835—
 - (A) by striking subsections (b) and (g);
 - (B) by redesignating subsections (c) through (h) as subsections (b) through (f), respectively; and
 - (C) in subsection (a), by striking “Subject to subsection (b), the Secretary” and inserting “The Secretary”;
- (81) in section 2836—
 - (A) in subsection (a), by striking “Subject to subsection (b), the Secretary” and inserting “The Secretary”;
 - (B) by striking subsection (b);
 - (C) by striking subsection (f); and
 - (D) by redesignating subsections (c) through (g) as subsections (b) through (e), respectively;
- (82) in section 2837—
 - (A) in subsection (c)—

- (i) by striking paragraph (2); and
 - (ii) by striking the designator "(1)" after the catch line and preceding the remaining matter;
 - (B) by striking subsection (f); and
 - (C) by redesignating subsections (g) and (h) as subsections (f) and (g), respectively;
 - (83) in section 2853—
 - (A) in subsection (c), by striking paragraphs (2) and (3);
 - (B) in the remaining matter, by striking the designator "(1)" and the dash and realigning the paragraph to read as a subsection; and
 - (C) by striking the semicolon at the end of the remaining matter and inserting a period;
 - (84) in section 2854—
 - (A) by striking subsection (b); and
 - (B) by striking "(a) Subject to subsection (b), the" in the preceding matter and inserting "The";
 - (85) in section 2854a—
 - (A) by striking subsection (c); and
 - (B) by redesignating subsections (d) through (g) as subsections (c) through (f), respectively;
 - (86) in section 2865—
 - (A) in subsection (e), by striking paragraph (2); and
 - (B) by striking subsection (f); and
 - (C) by striking designator (1) after the catch line;
 - (87) in section 2866—
 - (A) in subsection (c), by striking paragraph (2); and
 - (B) by striking designator (1) after the catch line;
 - (88) in section 2867, by striking subsection (c);
 - (89) in section 2875, by striking subsection (e);
 - (90) in section 2884—
 - (A) by striking subsection (b);
 - (B) by striking the designator "(1)" that follows the catch line in the remaining matter;
 - (C) by striking the designator before subparagraph (2) and inserting "(b) CONTENT OF REPORTS.—" to redesignate that subparagraph as a subsection;
 - (D) by amending the section title to read: "\$2884. Project reports"; and
 - (E) by amending the table of sections at the beginning of such chapter 169 by replacing the item relating to section 2884 with the following new item:
- "2884. Project reports.;"
- (91) in section 2902—
 - (A) in subsection (g), by striking paragraph (2); and
 - (B) by striking designator (1) after the catch line;
 - (92) in section 5143, by striking subsection (e);
 - (93) in section 6954—
 - (A) by striking subsection (f); and
 - (B) by redesignating subsection (g) as subsection (f);
 - (94) in section 7049—
 - (A) by striking subsection (c); and
 - (B) by redesignating subsections (d) through (g) as subsections (c) through (f), respectively;
 - (95) in section 9356—
 - (A) by striking subsection (c);
 - (B) by redesignating subsections (d) and (e) as subsections (c) and (d), respectively; and
 - (C) in subsection (a), by striking "Subject to subsection (c), the Secretary" and inserting "The Secretary";
 - (96) in section 9514—
 - (A) by striking subsection (c);
 - (B) by striking subsection (f); and
 - (C) by redesignating subsection (g) as subsection (f);
 - (97) in section 12302—
 - (A) in subsection (b), by striking the last sentence; and
 - (B) by striking subsection (d); and
 - (98) in section 16137—
 - (A) by repealing this entire section in chapter 1606; and

(B) by amending the table of sections at the beginning of such chapter by striking the item relating to section 16137.

(b) FOREIGN ASSISTANCE ACT OF 1961.—Section 656 of the Foreign Assistance Act of 1961 (Public Law 87-195) is repealed.

(c) DEFENSE ACQUISITION IMPROVEMENT ACT OF 1986.—Section 908 of the Defense Acquisition Improvement Act of 1986 (as contained in section 101(c) of Public Law 99-500 and identically enacted in section 101(c) [title X] of Public Law 99-591 and title IX of division A of Public Law 99-661) (10 U.S.C. 2326 note) is amended by striking subsection (b).

(d) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEARS 1988 AND 1989.—Section 1121 of the National Defense Authorization Act for Fiscal Years 1988 and 1989 (Public Law 100-180; 101 Stat. 1147) (10 U.S.C. 113 note) is amended—

(1) by striking subsection (f); and

(2) by redesignating subsections (g) and (h) as subsections (f) and (g), respectively.

(e) DEFENSE AUTHORIZATION AMENDMENTS AND BASE CLOSURE AND REALIGNMENT ACT OF 1990.—Section 206 of the Defense Authorization Amendments and Base Closure and Realignment Act of 1990 (Public Law 100-526; 102 Stat. 2631) (10 U.S.C. 2687) is repealed.

(f) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1991.—The National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510; 104 Stat. 1607, 1819, and 1822, respectively) is amended—

(1) in section 831, by striking subsection (l);

(2) in section 2921, by striking subsections (e), (f), (g)(1), and (g)(2); and

(3) in section 2926, by striking subsection (g).

(g) DEFENSE ECONOMIC ADJUSTMENT, DIVERSIFICATION, CONVERSION, AND STABILIZATION ACT OF 1990.—Section 4004 of the Defense Economic Adjustment, Diversification, Conversion, and Stabilization Act of 1990 (Public Law 101-510; 104 Stat. 1849) is amended by striking paragraph (c)(3).

(h) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEARS 1992 AND 1993.—The National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190; 105 Stat. 1411 and 1562, respectively) is amended—

(1) in section 734—

(A) by striking subsection (c); and

(B) by redesignating subsections (d) through (f) as subsections (c) through (e), respectively; and

(2) by repealing section 2868.

(i) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1993.—The National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484; 106 Stat. 2367, 2439, 2516, and 2609 respectively) is amended—

(1) in section 324, by striking subsection (b), and by striking the designator “(a)” prior to “Sense of Congress” in the remaining matter;

(2) in section 722, by striking subsection (d);

(3) in section 1082(b)—

(A) by striking subparagraph (1)(B);

(B) by striking the dash in subsection (b) of section 1082; and

(C) by striking the designator “(A)” preceding the remaining matter, and realigning it to read as a paragraph; and

(4) in section 2827—

(A) by striking subsection (b); and

(B) by redesignating subsection (c) as subsection (b).

(j) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1994.—The National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160; 107 Stat. 1659 and 1931 respectively) is amended—

(1) by repealing section 542; and

(2) in section 2924, by striking subsection (b).

(k) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1995.—The National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337; 108 Stat. 2804 and 2890, respectively) is amended—

(1) in section 721—

(A) by striking subsection (h); and

(B) by redesignating subsection (i) as subsection (h); and

(2) in section 1305, by striking subsection (h).

(l) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1996.—Section 2840 of the National Defense Authorization Act for Fiscal Year 1996 (Public Law 104-106; 110 Stat. 564) is amended—

(1) in subsection (a)—

(A) by striking paragraph (4); and

(B) by redesignating paragraph (5) as paragraph (4); and
(2) in subsection (b)—

(A) by striking paragraph (4); and

(B) by redesignating paragraph (5) as paragraph (4).

(m) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1997.—The National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201; 110 Stat. 2480 and 2653, respectively) is amended—

(1) in section 324, by striking subsection (c); and

(2) in section 1065, by striking subsection (b).

(n) OMNIBUS CONSOLIDATED APPROPRIATIONS ACT, 1997.—Section 8009 of the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104-208; 110 Stat. 3009-89) is amended—

(1) by striking “unless the congressional defense committees have been notified at least thirty days in advance of the proposed contract award”;

(2) by striking the comma after “year”; and

(3) by striking the colon before “*Provided*”.

(o) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998.—Section 349 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85; 111 Stat. 1690) is amended by striking subsection (e).

(p) STROM THURMOND NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1999.—The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261; 112 Stat. 2075 and 2155, respectively) is amended—

(1) in section 745(e)—

(A) by striking paragraph (2); and

(B) by striking the designator “(1)” following the catch line in the preceding matter; and

(2) by repealing section 1223.

(q) DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1999.—Section 8005 of the Department of Defense Appropriations Act, 1999 (Public Law 105-262; 112 Stat. 2297) is amended by striking “*Provided further*, That the Secretary of Defense shall notify the Congress promptly of all transfers made pursuant to this authority or any other authority in this Act.”

(r) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2000.—The National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65; 113 Stat. 542, 697, 706, 748, 756, 779, and 798, respectively) is amended—

(1) in section 212, by striking subsection (c);

(2) in section 724, by striking subsection (e);

(3) by repealing section 811;

(4) by repealing section 1025;

(5) in section 1039, by striking subsection (b);

(6) in section 1201—

(A) by striking subsections (d) and (e); and

(B) by redesignating subsection (f) as subsection (d); and

(7) in section 1402, by striking subsection (b)(2).

(s) MILITARY CONSTRUCTION APPROPRIATIONS ACT, 2001.—The Military Construction Appropriations Act, 2001 (Public Law 106-246; 114 Stat. 517 and 518, respectively) is amended—

(1) by repealing section 125; and

(2) in section 127, by striking all that follows after “including flag and general officer quarters” and inserting a period.

(t) DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2001.—Section 8019 of the Department of Defense Appropriations Act, 2001 (Public Law 106-259; 114 Stat. 678;) is amended by striking the last sentence.

(u) FLOYD D. SPENCE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2001.—The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398 Appendix; 114 Stat. 1654A-28 and 1654A-247, respectively) is amended—

(1) by repealing section 131;

(2) in section 1006, by striking subsection (c); and

(3) by repealing section 1233.

(v) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2002.—The National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107; 115 Stat. 1180 and 1204, respectively) is amended in section 804(a), by striking “of each of years 2003 through 2006” and inserting “2003.”

(w) DEPARTMENT OF DEFENSE AND EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR RECOVERY FROM AND RESPONSE TO TERRORIST ATTACKS ON THE UNITED STATES ACT, 2002.—Section 8009 of the Department of Defense and Emergency Supple-

mental Appropriations for Recovery From and Response To Terrorist Attacks on the United States Act, 2002 (Public Law 107-117; 115 Stat. 2249; 10 U.S.C. 401 note) is amended by striking “, and these obligations shall be reported to the Congress as of September 30 of each year”

(x) SENATE EXECUTIVE RESOLUTION 75 (105TH CONGRESS, 1ST SESSION, AGREED TO BY THE SENATE ON APRIL 24, 1997).—Section 2, Condition 11, paragraph (F), of Senate Executive Resolution 75, a provision of the Senate’s advice and consent to the ratification of the Chemical Weapons Convention (Treaty Doc. 103-21), is repealed.

Subtitle D—Other Matters

SEC. 931. COMBATANT COMMANDS INITIATIVES FUND.

(a) SUBSTITUTION OF THE TERM “CINC”.—Section 166a of title 10, United States Code, is amended by striking “CINC” wherever it appears and inserting “Combatant Commander”.

(b) FUNDS AUTHORIZED.—Subsection (e)(1) of such title is amended—

(1) in subparagraph (A), by striking “\$7,000,000” and inserting “\$15,000,000”;

(2) in subparagraph (B), by striking “\$1,000,000” and inserting “\$10,000,000”; and

(3) in subparagraph (C), by striking “\$2,000,000” and inserting “\$10,000,000”.

SEC. 932. CONSOLIDATING THE FINANCIAL MANAGEMENT OF FACILITIES IN THE NATIONAL CAPITAL REGION AND DESIGNATED ALTERNATE SITES.

Section 2674 of title 10, United States Code, is amended—

(1) in subsection (b)(1), by striking “of the Department of Defense, and located” and inserting “of the Department of Defense that is either on the Pentagon Reservation or”;

(2) in subsection (d), by inserting before the period at the end the following: “or at facilities occupied by the Department of Defense in the National Capital Region”;

(3) in subsection (e)—

(A) in paragraph (1), by striking “pursuant to subsection (d)” and inserting “or at facilities occupied by the Department of Defense in the National Capital Region pursuant to subsection (d). Any residual balance in the Buildings Maintenance Fund shall be transferred to the Pentagon Reservation Maintenance Revolving Fund”; and

(B) in paragraph (2), by inserting before the period at the end the following: “and at facilities occupied by the Department of Defense in the National Capital Region.”;

(4) in subsection (f)(1)—

(A) by inserting “—(A)” after the “The Pentagon Reservation means”;

(B) by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new subparagraph:

“(B) notwithstanding section 2682 of this title, such other areas of land, locations, or physical facilities of the Department of Defense as the Secretary of Defense may determine are necessary to designate as part of the Pentagon Reservation in order to meet continuity of operations or other related national security needs of the Department.”.

TITLE X—GENERAL PROVISIONS

Subtitle A—Financial Matters

SEC. 1001. PAYMENT OF FULL REPLACEMENT VALUE FOR PERSONAL PROPERTY CLAIMS.

Section 2636 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(c) The Secretary of Defense or the Secretary of a military department may procure from commercial transportation service providers full replacement value coverage for household goods shipments provided at government expense without regard to the dollar limitations contained in title 37, United States Code, Section 3721, relative to claims for loss or damages. Under such contracts, servicemembers will be reimbursed full replacement value, if warranted, and such amounts may be

deducted from the amounts due the carriers if settlement is not reached between the servicemember and the carrier.”.

SEC. 1002. RESTORATION OF AUTHORITY TO ENTER INTO 12-MONTH LEASES AT ANY TIME DURING THE FISCAL YEAR.

Section 2410a(a) of title 10, United States Code, is amended by inserting after “severable services” the following: “and the lease of real or personal property, including the maintenance of such property when contracted for as part of the lease agreement.”.

SEC. 1003. AUTHORITY TO PROVIDE REIMBURSEMENT FOR CELLULAR TELEPHONE USE.

(a) **GENERAL AUTHORITY.**—The Secretary of Defense is authorized to reimburse employees on a flat-rate basis for cellular telephone used on privately-owned cellular phones when on official government business.

(b) **REIMBURSEMENT RATE.**—The Secretary of Defense may prescribe the cellular phone flat reimbursement rate. This reimbursement rate shall not exceed the equivalent Government costs of providing a cellular telephone to employees on official Government business.

SEC. 1004. REIMBURSEMENT FOR RESERVE INTELLIGENCE SUPPORT.

(a) **IN GENERAL.**—Chapter 1003 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 10115. Reimbursement for reserve intelligence support

“The Secretary of Defense or the Secretary concerned shall reimburse a Reserve or National Guard unit or organization for the pay, allowances, or other expenses incurred by the Reserve or National Guard unit or organization when a member of the Reserve or National Guard unit or organization provides intelligence support, counterintelligence support, or intelligence and counterintelligence support to Combatant Commands, Defense Agencies, and Joint Intelligence Activities, including but not limited to the activities and programs within the National Foreign Intelligence Program, the Joint Military Intelligence Program, and the Tactical Intelligence and Related Activities. Reimbursement shall be paid out of funds available for operations and maintenance of the military departments, combatant commands, or Defense Agencies.”.

(b) **CLERICAL AMENDMENT.**—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“10115. Reimbursement for reserve intelligence support.”.

SEC. 1005. INCREASED USE OF ENERGY COST SAVINGS.

Section 2865(b)(1) of title 10, United States Code, is amended by striking “Two-thirds of the portion of the funds appropriated to Department of Defense for a fiscal year that is” and inserting “Funds appropriated to the Department of Defense for a fiscal year that are”.

SEC. 1006. ALLOW THE DEPARTMENT OF DEFENSE TO CAPTURE ALL EXPIRED FUNDS FROM THE MILITARY PERSONNEL AND OPERATION AND MAINTENANCE APPROPRIATIONS ACCOUNTS FOR USE IN THE FOREIGN CURRENCY FLUCTUATIONS ACCOUNT.

Section 2779 of title 10, United States Code, is amended—

(1) in subsection (a)(2), by striking “second fiscal year” and inserting “fifth fiscal year”; and

(2) in subsection (d)(2), by striking “second fiscal year” and inserting “fifth fiscal year”.

SEC. 1007. FUNDING FOR SPECIAL OPERATIONS RESERVE COMPONENT PERSONNEL ENGAGED IN ACTIVITIES RELATING TO CLEARANCE OF LANDMINES.

Funds authorized in this Act for the Overseas Humanitarian, Disaster and Civic Aid programs of the Department of Defense shall be available, in a total amount not to exceed \$5,000,000 in any fiscal year, for reimbursement of pay and allowances of Special Operations Reserve Component personnel performing duty in connection with training and activities related to the clearing of landmines for humanitarian purposes.

Subtitle B—Naval Vessels and Shipyards

SEC. 1011. REIMBURSEMENT TO THE NAVY FOR ASSISTANCE PROVIDED IN SUPPORT OF CERTAIN SHIP AND SHIPBOARD EQUIPMENT TRANSFERS.

(a) IN GENERAL.—Chapter 633 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 7316. Reimbursement for assistance provided in support of certain ship and shipboard equipment transfers

“(a) AUTHORITY TO PERFORM WORK.—The Secretary of the Navy may provide assistance in support of any ship or shipboard equipment transfer under sections 2572, 7306, 7307, and 7545 of this title, or under any other authority, in connection with inactive decommissioned Navy-owned vessels maintained and located at Navy facilities.

“(b) REIMBURSEMENT.—The Secretary may require the entities receiving assistance under subsection (a) to reimburse the Navy for amounts expended in providing such assistance.

“(c) DEPOSIT OF FUNDS RECEIVED.—Funds received under subsection (b) shall be credited to the appropriations supporting the maintenance and operation of the Navy Inactive Ships Management Office for the fiscal year in which the funds are received, to merge with and become available for the same purposes and period as the accounts to which they are credited.”

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“7316. Reimbursement for assistance provided in support of certain ship and shipboard equipment transfers.”

SEC. 1012. VESSELS STRICKEN FROM NAVAL VESSEL REGISTER: USE FOR EXPERIMENTAL PURPOSES.

Section 7306a of title 10, United States Code, is amended—

(1) in subsection (b)—

(A) in paragraph (1), by adding at the end the following new sentence: “Material and equipment stripped from the vessel may be sold by a contractor or a designated sales agent on behalf of the Navy.”; and

(B) in paragraph (2), by striking “scrapping services” and all that follows through the end of the paragraph and inserting “services needed for such stripping and for environmental remediation required for the use of a vessel for experimental purposes. Amounts received which are in excess of amounts needed for reimbursement of those costs shall be deposited into the account from which the stripping and environmental remediation expenses were incurred and shall be available for stripping and environmental remediation of other vessels used for experimental purposes.”; and

(2) by adding at the end the following new subsection:

“(c) EXPERIMENTAL PURPOSES DEFINED.—For purposes of this section, the term ‘experimental purposes’ includes vessels used in Navy sink exercises and for target use.”

SEC. 1013. AUTHORIZE TRANSFER OF VESSELS STRICKEN FROM THE NAVAL VESSEL REGISTER FOR USE AS ARTIFICIAL REEFS.

Chapter 633 of title 10, United States Code, is amended by inserting after section 7306a the following new section:

“§ 7306b. Vessels stricken from Naval Vessel Register; transfer by gift or otherwise for use as artificial reefs

“(a) AUTHORITY TO MAKE TRANSFER.—Subject to subsections (c) and (d) of section 602 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 474), the Secretary of the Navy may transfer, by gift or otherwise, any vessel stricken from the Naval Vessel Register to any State, Commonwealth, or possession of the United States or any municipal corporation or political subdivision thereof.

“(b) VESSEL TO BE USED AS ARTIFICIAL REEF.—An agreement for the transfer of a vessel under subsection (a) shall require that—

“(1) the transferee use, site, construct, monitor and manage the vessel only as an artificial reef in accordance with the requirements of chapter 35 of title 33, except that the transferee also may use the artificial reef to enhance diving opportunities if that use does not have an adverse effect on fishery resources, as defined in section 1802(14) of the Magnuson-Stevens Fishery Conservation and Management Act of 1976, as amended (Public Law 100-627; 16 U.S.C. 1802); and

“(2) the transferee shall obtain and bear all of the responsibility for complying with all of the applicable federal, state, interstate, and local permits for siting, constructing, monitoring and managing a vessel as an artificial reef.

“(c) **ADDITIONAL TERMS.**—The Secretary may require such additional terms in connection with the conveyance authorized by this section as the Secretary considers appropriate.

“(d) **COST SHARING ON TRANSFERS.**—The Department of the Navy may share with the recipient any of the costs associated with transferring the vessel under this section.

“(e) **APPLICATION FOR MORE THAN ONE VESSEL.**—A State, Commonwealth, or possession of the United States, or any municipal corporation or political subdivision thereof, may apply for more than one vessel under this section.”.

(b) **CLERICAL AMENDMENT.**—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 7306a the following new item:

“7306b. Vessels stricken from Naval Vessel Register; transfer by gift or otherwise for use as artificial reefs.”.

SEC. 1014. REPEAL OF THE SHIPBUILDING CAPABILITY PRESERVATION AGREEMENT.

(a) **IN GENERAL.**—Section 7315 of title 10, United States Code, is repealed.

(b) **SAVINGS PROVISION.**—Agreements entered into under the authority of section 7315 prior to the date of enactment of this Act shall continue to remain in full force and effect.

(c) **CLERICAL AMENDMENT.**—The table of sections at the beginning of chapter 633 of such title is amended by striking the item relating to section 7315.

Subtitle C—Counter-Drug Activities

SEC. 1021. EXTEND AUTHORITY FOR USE OF COUNTER-DRUG ACTIVITIES.

(a)(1) **AUTHORITY.**—In fiscal years 2004 and 2005, the Secretary of Defense may use funds available for drug interdiction and counter-drug activities to provide assistance to the Government of Colombia to support a unified campaign against narcotics trafficking, to support a unified campaign against activities by organizations designated as terrorist organizations such as the Revolutionary Armed Forces of Colombia, the National Liberation Army, and the United Self-Defense Forces of Colombia, and to take actions to protect human health and welfare in emergency circumstances, including undertaking rescue operations.

(2) The authority in this section is in addition to authorities currently available to provide assistance to Colombia.

(b) **APPLICATION TO FUNDS.**—Sections 556, 567, and 568 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (Public Law 107–115; 115 Stat. 2160, 2165 and 2166, respectively), section 8093 of the Department of Defense Appropriations Act, 2002 (Public Law 107–248; 116 Stat. 1558), and the numerical limitations on the number of United States military personnel and United States individual civilian contractors in section 3204(b)(1) of the Military Construction Appropriations Act, 2001 (Public Law 106–246; 114 Stat. 575), as amended, shall be applicable to funds made available pursuant to the authority contained in subsection (a).

(c) **PROHIBITION.**—No United States Armed Forces personnel or United States civilian contractor employed by the United States will participate in any combat operation in connection with assistance made available under this chapter, except for the purpose of acting in self-defense or rescuing any United States citizen to include United States Armed Forces personnel, United States civilian employees, and civilian contractors employed by the United States.

SEC. 1022. DEPARTMENT OF DEFENSE SUPPORT FOR COUNTER-TERRORISM ACTIVITIES IN THE AMERICAS.

In fiscal year 2004, funds made available to the Department of Defense to support counter-drug activities are hereby authorized to support a unified campaign against illicit narcotics-trafficking and related activities by identified organizations engaged in such narcotics-trafficking, to support a unified campaign against activities by organizations in the Americas hemisphere actively engaged in, or designated as, terrorist organizations, and to take sufficient action to protect human health and welfare in exigent circumstances, including the undertaking of rescue operations throughout Central and South America and the waters south of the Continental United States, such as the Pacific Ocean east of 120 degrees West, the Gulf of Mexico, and the Caribbean Sea. The exercise of this authority by the Secretary of Defense is subject to the concurrence of the Secretary of State.

SEC. 1023. EXPANSION AND EXTENSION OF AUTHORITY TO PROVIDE ADDITIONAL SUPPORT FOR COUNTER-DRUG ACTIVITIES.

Section 1033 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105–85; 111 Stat. 1881), as amended by the National Defense Authorization Act for Fiscal Year 2001 (Public Law 106–398; 114 Stat. 1654A–255), is amended—

- (1) in the section title by striking “Peru and Colombia” and inserting “other countries”;
- (2) in subsection (a)—
 - (A) by striking “2002” and inserting “2006”; and
 - (B) by striking “either or both” and inserting “any”;
- (3) by amending subsection (b) to read as follows:

“(b) **GOVERNMENTS ELIGIBLE TO RECEIVE SUPPORT.**—The foreign governments eligible to receive counter-drug support under this section are as follows:

 - “(1) Afghanistan.
 - “(2) Ecuador.
 - “(3) Pakistan.
 - “(4) Tajikistan.
 - “(5) Turkmenistan.
 - “(6) Uzbekistan
 - “(7) Peru; and
 - “(8) Colombia.”;
- (4) in subsection (c)—
 - (A) in paragraph (2) by striking “riverine”;
 - (B) by amending paragraph (3) to read as follows:

“(3) The maintenance, repair, or upgrade of equipment of the government that is used for counter-drug activities.”; and
 - (C) by adding at the end the following new paragraph (4):

“(4) The sustainment, including ammunition, of counter-drug security forces.”;
- (5) in subsection (e)(2)—
 - (A) by striking “\$20,000,000” and inserting “\$40,000,000”; and
 - (B) by striking “1999” and inserting “2004”; and
- (6) in subsection (h)—
 - (A) by amending subsection (h) to read as follows:

“(h) **COUNTER-DRUG PLAN.**—The Secretary of Defense, in consultation with the Secretary of State, shall prepare for fiscal year 2004 (and revise as necessary for subsequent fiscal years) a counter-drug plan involving the governments named in subsection (b) to which support will be provided under this section.”;

 - (B) in paragraph (2), by striking “riverine”;
 - (C) in paragraph (7), by striking “riverine”;
 - (D) in paragraph (8), by striking “riverine”; and
 - (E) by amending paragraph (9) to read as follows:

“(9) A detailed discussion of how the counter-drug program supports the national drug control strategy and the national security cooperation goals of the United States.”.

Subtitle D—Other Department of Defense Provisions

SEC. 1031. PROVISION OF LIVING QUARTERS FOR CERTAIN STUDENTS.

Section 2195 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(d) Notwithstanding the provisions of section 5911(c), title 5, United States Code, the Director of the National Security Agency may provide living quarters without charge, or at rates or charges fixed by regulation, to a student in the Student Educational Employment Program or similar program, as prescribed by the Office of Personnel Management, while the student is employed at the Agency’s laboratory.”.

SEC. 1032. REPEAL OF REQUIRED GRADE FOR DEFENSE ATTACHÉ IN FRANCE.

(a) **IN GENERAL.**—Section 714 of title 10, United States Code, is repealed.

(b) **CONFORMING AMENDMENT.**—The table of sections at the beginning of chapter 41 of that title is amended by striking the item relating to section 714.

SEC. 1033. NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY.

(a) **DEFINITION OF GEOSPATIAL INTELLIGENCE.**—Section 467 of title 10, United States Code, is amended by adding at the end the following new paragraph:

"(5) The term 'geospatial intelligence' means the exploitation and analysis of imagery and geospatial information to describe, assess, and visually depict physical features and geographically referenced activities on the Earth. This term consists of imagery, imagery intelligence, and geospatial information."

(b) MISSIONS.—Section 442(a) of such title is amended to read as follows:

"(a) NATIONAL SECURITY MISSIONS.—

(1) The National Geospatial-Intelligence Agency shall, in support of the national security objectives of the United States, provide geospatial intelligence consisting of the following:

"(A) Imagery.

"(B) Imagery intelligence.

"(C) Geospatial information.

"(2) Geospatial intelligence provided in carrying out paragraph (1) shall be timely, relevant, and accurate."

(c) NATIONAL SECURITY ACT CHANGE.—Section 110 of the National Security Act of 1947 (50 U.S.C. 404(e)) is amended by striking "imagery" and inserting "geospatial intelligence".

(d) TECHNICAL CHANGES TO TITLE 10.—

(1) The title of chapter 22 of such title is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(2) Paragraphs (a) and (b) of section 441 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(3) Section 442 of such title is amended by striking "National Imagery and Mapping Agency" wherever it appears and inserting "National Geospatial-Intelligence Agency".

(4) Paragraphs (a) and (b) of section 443 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(5) Paragraphs (a), (b), (c), and (e) of section 444 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(6) Section 451 of such title is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(7) Paragraphs (a) and (b) of section 452 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(8) Paragraphs (a) and (b) of section 453 of such title are amended—

(A) by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency"; and

(B) by striking "NIMA" and inserting "NGA".

(9) Section 454 of such title is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(10) Paragraphs (a) and (b) of section 455 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(11) Paragraphs (a) and (b) of section 456 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(12) Paragraph (b) of section 457 of such title is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(13) Paragraphs (a), (b), (c), and (d) of section 461 of such title are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(14) Section 1614 of such title is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(e) TECHNICAL CHANGES TO THE NATIONAL SECURITY ACT OF 1947.—

(1) Section 3 of the National Security Act of 1947 (50 U.S.C. 401a) is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(2) Paragraphs (b) and (d) of section 105 of such Act (50 U.S.C. 403-5) are amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(3) Paragraph (b) of section 105A of such Act (50 U.S.C. 403-5a) is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency".

(4) Section 105C of such Act (50 U.S.C. 403–5c) is amended—

(A) by striking “National Imagery and Mapping Agency” wherever it appears and inserting “National Geospatial-Intelligence Agency”; and

(B) and by striking “NIMA” wherever it appears and inserting “NGA”.
(5) Paragraph (a) of section 106 of such Act (50 U.S.C. 403–6) is amended by striking “National Imagery and Mapping Agency” and inserting “National Geospatial-Intelligence Agency”.

(6) Paragraphs (a), (b), and (c) of section 110 of such Act (50 U.S.C. 404e) are amended by striking “National Imagery and Mapping Agency” and inserting “National Geospatial-Intelligence Agency”.

(f) SEAL.—Section 425 (a) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(5) The words ‘National Geospatial-Intelligence Agency’, the initials ‘NGA,’ or the seal of the National Geospatial-Intelligence Agency.”.

Subtitle E—Other Matters

SEC. 1041. UPDATING DEFINITIONS IN TITLE 10, UNITED STATES CODE.

(a) GENERAL DEFINITIONS.—Subsection (a) of section 101 of title 10, United States Code, is amended by adding at the end the following new paragraphs:

“(16) The term ‘appropriate committees of Congress’ means the Committee on Armed Services and the Committee on Appropriations of the Senate and the Committee on Armed Services and the Committee on Appropriations of the House of Representatives and, with respect to any project to be carried out by, or for the use of, an intelligence component of the Department of Defense, the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate.

“(17) The term ‘base closure law’ means—

“(A) section 2687 of this title;

“(B) title II of the Defense Authorization Amendments and Base Closure and Realignment Act of 1988 (Public Law 100–526; 10 U.S.C. 2687 note);

“(C) the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101–510; 10 U.S.C. 2687 note); and

“(D) any other similar authority for the closure or realignment of military installations that is enacted after the date of the enactment of the Bob Stump National Defense Authorization Act for Fiscal Year 2003.

“(18) The term ‘Indian tribe’ has the meaning given such term in section 102(2) of the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 479a(2)).”.

(b) FACILITIES DEFINITIONS.—Section 101 is further amended—

(1) by redesignating subsections (e) and (f) as subsections (f) and (g), respectively; and

(2) by inserting after subsection (d) the following new subsection (e):

“(e) FACILITIES AND OPERATIONS.—Unless the context indicates otherwise, the following definitions relating to facilities and operations apply to this title:

“(1) The term ‘military munitions’—

“(A) means all ammunition products and components produced for or used by the armed forces for national defense and security, including ammunition products or components under the control of the Department of Defense, the Coast Guard, the Department of Energy, and the National Guard. The term includes confined gaseous, liquid, and solid propellants, explosives, pyrotechnics, chemical and riot control agents, smokes, incendiaries, bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components thereof, and

“(B) does not include wholly inert items, improvised explosive devices, and nuclear weapons, nuclear devices, and nuclear components, except that the term does include non-nuclear components of nuclear devices that are managed under the nuclear weapons program of the Department of Energy after all required sanitization operations under the Atomic Energy Act of 1954 (42 U.S.C. 2011, et seq.) have been completed.

“(2) The term ‘operational range’ means—

“(A) a range that is used for range activities, or

“(B) a range that is not currently being used for range activities, but that is still considered by the Secretary concerned to be a range, is under the jurisdiction, custody, or control of the Secretary concerned, and has not been put to a new use that is incompatible with range activities.

“(3) The term ‘range’ means a designated land or water area set aside, managed, and used to conduct research, development, testing, and evaluation of military munitions, other ordnance, or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, electronic scoring sites, buffer zones with restricted access and exclusionary areas, and airspace areas designated for military use according to regulations and procedures established by the Federal Aviation Administration such as special use airspace areas, military training routes, or other associated airspace.

“(4) The term ‘unexploded ordnance’ means military munitions that—

“(A) have been primed, fused, armed, or otherwise prepared for action;

“(B) have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or material; and

“(C) remain unexploded either by malfunction, design, or any other cause.”.

(c) CONFORMING AMENDMENTS.—

(1) Subsection (e) of section 2710 of title 10, United States Code, is amended—

(A) by striking paragraphs (3), (5), and (9); and

(B) by redesignating paragraphs (4), (6), (7), (8), and (10) as paragraphs (3), (4), (5), (6), and (7), respectively.

(2) Subsection (d) of section 313 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107–107; 115 Stat. 1053), is amended by inserting after “311” the following: “, or in section 101 of title 10, United States Code”.

(3) Title 10, United States Code, is further amended as follows:

(A) Subsection (c) of section 2801 is amended by striking paragraph (4).

(B) Sections 181, 229, 1107, 2216, 2218, 2306b, 2366, 2399, 2534, 2667, and 10216 are amended by striking “congressional defense committees” each place it appears and inserting “appropriate committees of Congress”.

(C) Subsection (d)(2) of section 181 is amended—

(i) by striking “subsection: (A) The” and inserting “subsection, the”; and

(ii) by striking paragraph (B).

(D) Subsection (f) of section 229 is repealed.

(E) Subsection (f)(4) of section 1107 is amended by striking subparagraph (C).

(F) Subsection (j) of section 2216 is amended by striking paragraph (3).

(G) Subsection (l) of section 2218 is amended—

(i) by striking paragraph (4); and

(ii) by redesignating paragraph (5) as paragraph (4).

(H) Subsection (l) of section 2306b is amended—

(i) by striking paragraph (9); and

(ii) by redesignating paragraph (10) as paragraph (9).

(I) Subsection (e) of section 2366 is amended by striking paragraph (7).

(J) Subsection (h) of section 2399 is amended—

(i) in paragraph (1), by striking “section: (1) The” and inserting “section, the”; and

(ii) by striking paragraph (2).

(K) Subsection (h) of section 2667 is amended—

(i) by striking paragraphs (1) and (2); and

(ii) by striking “section: (3) The” and inserting “section, the”.

(4) Title 10, United States Code, is further amended as follows:

(A) Subsection (f) of section 2490a is amended—

(i) by striking “section: (1) The” and inserting “section, the”; and

(ii) by striking paragraph (2).

(B) Section 2705 is amended by striking subsection (h).

(C) Section 2871 is amended—

(i) by striking paragraph (2); and

(ii) by redesignating paragraphs (3), (4), (5), (6), (7), and (8) as paragraphs (2), (3), (4), (5), (6), and (7), respectively.

SEC. 1042. IMPROVING READINESS IN PROVIDING FIREFIGHTING SERVICES.

Section 2465(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(4) to a contract for the performance of a firefighting function for a period of one year or less to fill vacant positions created by deployed military firefighters.”.

SEC. 1043. DOCUMENTS, HISTORICAL ARTIFACTS, AND OBSOLETE OR SURPLUS MATERIEL: LOAN, DONATION, OR EXCHANGE.

(a) **IN GENERAL.**—Section 2572 of title 10, United States Code, is amended—

(1) in the heading, by striking “condemned or obsolete combat” and inserting “obsolete or surplus”;

(2) in subsection (a), by striking “subsection (c)” and inserting “subsection (c)(1)”;

(3) in subsection (b), by striking “subsection (c)” and inserting “subsection (c)(2)”;

(4) in subsection (c)—

(A) by striking “(c) This section” and “(c)(1) Subsection (a)”;

(B) by adding at the end the following new paragraph:

“(2) Subsection (b) applies to the following types of property held by a military department or the Coast Guard: books, manuscripts, works of art, historical artifacts, drawings, plans, models, and obsolete or surplus materiel.”.

(b) **CONFORMING AMENDMENT.**—The table of sections at the beginning of chapter 153 of such title is amended by amending the item relating to section 2572 to read as follows:

“2572. Documents, historical artifacts, and obsolete or surplus combat materiel: loan, gift, or exchange.”.

SEC. 1044. AUTHORITY TO ENSURE DEMILITARIZATION OF SIGNIFICANT MILITARY EQUIPMENT FORMERLY OWNED BY THE DEPARTMENT OF DEFENSE.

(a) **IN GENERAL.**—Chapter 153 of title 10, United States Code, is amended by inserting after section 2582 the following new section:

“§ 2583. Continued authority to require demilitarization of significant military equipment after disposal

“(a) **AUTHORITY TO REQUIRE DEMILITARIZATION.**—The Secretary of Defense may require any person in possession of significant military equipment formerly owned by the Department of Defense—

“(1) to demilitarize the equipment;

“(2) to have the equipment demilitarized by a third party; or

“(3) to return the equipment to the United States Government for demilitarization.

“(b) **COST AND VALIDATION OF DEMILITARIZATION.**—When the demilitarization of significant military equipment is carried out by the person in possession of the equipment pursuant to paragraph (1) or (2) of subsection (a), the person shall be solely responsible for all demilitarization costs, and the United States shall have the right to validate that the equipment has been demilitarized.

“(c) **RETURN OF EQUIPMENT TO THE U.S. GOVERNMENT.**—When the Secretary of Defense requires the return of significant military equipment for demilitarization by the United States Government, the Secretary shall bear all costs to transport and demilitarize the equipment. If the person in possession of the significant military equipment obtained the property in the manner authorized by law or regulation and the Secretary determines that the cost to demilitarize and return the property to the person is prohibitive, the Secretary shall reimburse the person for the fair market value of the property or, if the fair market value is not readily ascertainable, the purchase cost of the property and for the reasonable transportation costs incurred by the person to purchase the equipment.

“(d) **ESTABLISHMENT OF DEMILITARIZATION STANDARDS.**—The Secretary of Defense may prescribe by regulation what constitutes demilitarization for each type of significant military equipment.

“(e) **EXCEPTIONS.**—This section does not apply—

“(1) when a person is in possession of significant equipment formerly owned by the Department of Defense for the purpose of demilitarizing the equipment pursuant to a U.S. Government contract;

“(2) to small arms weapons issued under the Defense Civilian Marksman-ship Program established in title 36, United States Code;

“(3) to issues by the Department of Defense to museums where demilitarization has been performed in accordance with departmental regulations; and

“(4) to other issues and undemilitarized significant military equipment under the provisions of departmental regulations.

“(f) DEFINITION OF SIGNIFICANT MILITARY EQUIPMENT.—In this section, the term ‘significant military equipment’ means—

“(1) an article for which special export controls are warranted under the Arms Export Control Act (22 U.S.C. 2751 et seq.) because of its capacity for substantial military utility or capability, as identified on the United States Munitions List maintained under sect 121.1 of title 22, Code of Federal Regulations; and

“(2) any other article designated by the Department of Defense as requiring demilitarization before its disposal.”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“2583. Continued authority to require demilitarization of significant military equipment after disposal.”.

TITLE XI—DEPARTMENT OF DEFENSE CIVILIAN PERSONNEL

SEC. 1101. POSITION VACANCY PROMOTION CONSIDERATION IN TIME OF WAR OR NATIONAL EMERGENCY.

(a) VACANCY PROMOTION CONSIDERATION.—Section 14317 of title 10, United States Code, is amended—

(1) in subsection (d), by striking “If a reserve officer” and inserting “Except as provided in subsection (e), if a reserve officer”; and

(2) in subsection (e), by inserting “or, in the case of an officer who has been ordered to or is serving on active duty in support of a contingency operation as defined in section 101(a)(13) of this title, a vacancy promotion board” after “mandatory promotion board”.

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 14315(a) of such title is amended by striking “or, as determined by the Secretary concerned, is available to occupy a position” and inserting “or, under regulations prescribed by the Secretary concerned, is recommended to occupy a position”.

TITLE XII—MATTERS RELATING TO OTHER NATIONS

Subtitle A—Matters Related to Allies and Friendly Foreign Nations

SEC. 1201. EXPANSION OF AUTHORITY TO CONDUCT THE ARCTIC MILITARY ENVIRONMENTAL COOPERATION PROGRAM.

Section 327 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law No. 105–261; 112 Stat. 1965), is amended—

(1) in the title, by inserting “AND WESTERN PACIFIC” after “ARCTIC”;

(2) by striking subsections (b) and (c);

(3) by redesignating subsection (a) as subsection (b);

(4) by inserting after the title the following new subsection (a):

“(a) AUTHORITY TO CONDUCT PROGRAM.—Subject to subsection (b), the Secretary of Defense, with the concurrence of the Secretary of State, may conduct the Arctic and Western Pacific Military Environmental Cooperation Program.”; and

(5) in subsection (b), as redesignated by paragraph (3)—

(A) in paragraph (1)—

(i) by inserting “and Western Pacific” after “Subject to paragraph (2), activities under the Arctic”;

(ii) by inserting “and assistance” after “shall include cooperative”; and

(iii) by striking “in the Arctic Region”; and

(B) in paragraph (2)—

(i) by inserting “Western Pacific” after “Activities under the Arctic”; and

(ii) by striking “for purposes for which funds for Cooperative Threat Reduction programs have been denied or are prohibited, including the purposes”.

SEC. 1202. AUTHORITY TO WAIVE DOMESTIC SOURCE OR CONTENT REQUIREMENTS.

(a) **IN GENERAL.**—Subchapter V of chapter 148 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 2539c. Waiver of domestic source or content requirements

“(a) **AUTHORITY.**—Except as provided in subsection (f), the Secretary of Defense may waive the application of any domestic source requirement or domestic content requirement referred to in subsection (b) and thereby authorize the procurement of items that are grown, reprocessed, reused, produced, or manufactured—

“(1) in a foreign country that has a reciprocal defense procurement memorandum of understanding or agreement with the United States;

“(2) in a foreign country that has a reciprocal defense procurement memorandum of understanding or agreement with the United States substantially from components and materials grown, reprocessed, reused, produced, or manufactured in the United States or any foreign country that has a reciprocal defense procurement memorandum of understanding or agreement with the United States; or

“(3) in the United States substantially from components and materials grown, reprocessed, reused, produced, or manufactured in the United States or any foreign country that has a reciprocal defense procurement memorandum of understanding or agreement with the United States.

“(b) **COVERED REQUIREMENTS.**—For purposes of this section:

“(1) A domestic source requirement is any requirement under law that the Department of Defense satisfy its requirements for an item by procuring an item that is grown, reprocessed, reused, produced, or manufactured in the United States or by a manufacturer that is a part of the national technology and industrial base (as defined in section 2500(1) of this title).

“(2) A domestic content requirement is any requirement under law that the Department of Defense satisfy its requirements for an item by procuring an item produced or manufactured partly or wholly from components and materials grown, reprocessed, reused, produced, or manufactured in the United States.

“(c) **APPLICABILITY.**—The authority of the Secretary to waive the application of a domestic source or content requirements under subsection (a) applies to the procurement of items for which the Secretary of Defense determines that—

“(1) application of the requirement would impede the reciprocal procurement of defense items under a memorandum of understanding providing for reciprocal procurement of defense items between a foreign country and the United States in accordance with section 2531 of this title; and

“(2) such country does not discriminate against defense items produced in the United States to a greater degree than the United States discriminates against defense items produced in that country.

“(d) **LAWS NOT WAIVABLE.**—The Secretary of Defense may not exercise the authority under subsection (a) to waive any domestic source or content requirement contained in any of the following laws:

“(1) The Small Business Act (15 U.S.C. 631 et seq.).

“(2) The Javits-Wagner-O'Day Act (41 U.S.C. et seq.).

“(3) Sections 2533a, 7309 and 7310 of this title.

“(e) **RELATIONSHIP TO OTHER WAIVER AUTHORITY.**—The authority under subsection (a) to waive a domestic source requirement or domestic content requirement is in addition to any other authority to waive such requirement.

“(f) **CONSTRUCTION WITH RESPECT TO LATER ENACTED LAWS.**—This section may not be construed as being inapplicable to a domestic source requirement or domestic content requirement that is set forth in a law enacted after the enactment of this section solely on the basis of the later enactment.”.

(b) **CLERICAL AMENDMENT.**—The table of sections at the beginning of such subchapter is amended by inserting after the item relating to section 2539b the following new item:

“2539c. Waiver of domestic source or content requirements.”.

SEC. 1203. AUTHORITY TO EXPEND FUNDS TO RECOGNIZE SUPERIOR NONCOMBAT ACHIEVEMENTS OR PERFORMANCE BY MEMBERS OF FRIENDLY FOREIGN FORCES AND OTHER FOREIGN NATIONALS.

(a) **IN GENERAL.**—Chapter 53 of title 10, United States Code, is amended by inserting after section 1051 the following new section:

“§ 1051a. Bilateral or regional cooperation programs: expenditure of funds to recognize superior noncombat achievements or performance

“(a) GENERAL AUTHORITY.—The Secretary of Defense may expend operations and maintenance funds to recognize superior noncombat achievements or performance, by members of friendly foreign forces and other foreign nationals, that significantly enhance or support the National Security Strategy of the United States. Activities that may be recognized include superior achievement or performance that—

“(1) plays a crucial role in shaping the international security environment in ways that protect and promote United States interests;

“(2) supports or enhances United States overseas presence and peacetime engagement activities such as defense cooperation initiatives, security assistance training and programs, and training and exercises with United States Armed Forces;

“(3) helps to deter aggression and coercion, build coalitions, promote regional stability; and

“(4) serves as role models for appropriate conduct by militaries in emerging democracies.

“(b) LIMITATIONS.—Expenditures for the purchase or production of suitable mementos under this section shall not exceed the “minimal value” established in accordance with section 7342(a)(5) of title 5.”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1051 the following new item:

“1051a. Bilateral or regional cooperation programs: expenditure of funds to recognize superior noncombat achievements or performance.”.

SEC. 1204. ADMINISTRATIVE SUPPORT AND SERVICES FOR FOREIGN LIAISON OFFICERS.

(a) AUTHORITY.—Section 1051a of title 10, United States Code, is amended to read as follows:

“§ 1051a. Administrative support and services for foreign liaison officers

“(a) AUTHORITY.—The Secretary of Defense may provide administrative services and support for the performance of duties by any liaison officer of another nation while the liaison officer is assigned to the headquarters of combatant command, component command, or subordinate operational command of the United States.

“(b) TRAVEL, SUBSISTENCE, AND OTHER EXPENSES.—The Secretary may pay the travel, subsistence, and similar personal expenses of a liaison officer of a developing nation involved in a coalition while the liaison officer is assigned temporarily to the headquarters of a combatant command, component command, or subordinate operational command of the United States, in connection with the planning for, or conduct of, a coalition operation, if the assignment is requested by the commander of the combatant command.

“(c) REIMBURSEMENT.—To the extent that the Secretary determines appropriate, the Secretary may provide the services and support authorized under subsection (a) and the expenses authorized by subsection (b) with or without reimbursement from (or on behalf of) the recipients.

“(d) DEFINITIONS.—In this section:

“(1) The term ‘administrative services and support’ includes base or installation support services, office space, utilities, copying services, fire and police protection, and computer support.

“(2) The term ‘coalition’ means an ad hoc arrangement between or among the United States and one or more other nations for common action.”.

SEC. 1205. GEORGE C. MARSHALL EUROPEAN CENTER FOR SECURITY STUDIES.

Section 1306 (b)(1) of the National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337; 108 Stat. 2892) is amended by striking “military officers and civilian officials of cooperation partner states of the North Atlantic Council or the Partnership for Peace” and inserting “foreign participants”.

SEC. 1206. RESTRICTIONS ON PERMANENT TRANSFER OF SIGNIFICANT MILITARY EQUIPMENT.

(a) IN GENERAL.—Chapter 138 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 2350l. Restrictions on permanent transfer of significant military equipment

“(a) TRANSFER OF SIGNIFICANT MILITARY EQUIPMENT.—Lethal and non-lethal military equipment designated as significant military equipment (SME), may be permanently transferred, with the concurrence of the Secretary of State, only when

the transaction is conducted as replacement in kind, where the equipment is identical, and in situations where the recipient country has an existing inventory for the SME in question.

“(b) EXPORT AND TRANSFER LAWS.—The authority to transfer SME in accordance with subsection (a) is subject to all other applicable laws and regulations pertaining to export and transfers.”

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“2350l. Restrictions on permanent transfer of significant military equipment.”.

SEC. 1207. AMENDMENT TO AUTHORITY FOR ACCEPTANCE BY ASIA-PACIFIC CENTER FOR SECURITY STUDIES OF FOREIGN GIFTS AND DONATIONS.

Section 2611 of title 10, United States Code, is amended—

(1) by striking “foreign” from—

- (A) the title;
- (B) subsection (a) in both places it appears;
- (C) subsection (c);
- (D) subsection (f)—
 - (i) in the heading; and
 - (ii) the first place it appears; and

(E) from the section title in the table of sections in the beginning of the chapter;

(2) in subsection (a)(1), by adding at the end the following sentence: “Such donations may be accepted from any agency of the Federal Government, any State or local government, any foreign government, any foundation or other charitable organization (including any that is organized or operates under the laws of a foreign country), or any other private source in the United States or a foreign country.”; and

(3) in subsection (f), by striking all after “services” and inserting a period.

SEC. 1208. ADDITION OF INDIVIDUALS AUTHORIZED TO RECEIVE CHECK CASHING AND EXCHANGES OF FOREIGN CURRENCY.

Section 3342(b) of title 31, United States Code, is amended—

(1) by striking “or” at the end of paragraph (6);

(2) by striking the period at the end of paragraph (7) and inserting “; or”; and

(3) by adding at the end the following new paragraph:

“(8) a military member of an allied or coalition nation who is part of a joint operation, joint exercise, humanitarian or peacekeeping mission with the military forces of the United States, provided that such accommodation has been approved by the senior United States military commander assigned to the joint operation or mission, that the allied or coalition nation has guaranteed payment for any deficiency resulting from such accommodation, and that accommodations of negotiable instruments are limited to negotiable instruments drawn on financial institutions located in the United States or on foreign branches of such institutions.”.

SEC. 1209. CONTINUATION OF THE REGIONAL DEFENSE COUNTERTERRORISM FELLOWSHIP PROGRAM.

The Secretary of Defense may pay for all costs associated with the attendance of foreign military officers, ministry of defense officials, and security officials at United States military educational institutions, regional centers, conferences, seminars, or other training programs conducted under the Regional Defense Counterterrorism Fellowship Program, including transportation, travel, and subsistence costs.

SEC. 1210. LOGISTICS SUPPORT FOR FRIENDLY NATIONS.

Section 2342 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(e) Notwithstanding any other provision of law or regulation, the Secretary of Defense, when in the best interests of the United States and subject to the availability of appropriations, may provide logistics support, supplies and services, on a reimbursable or non-reimbursable basis, without a completed cross-servicing or foreign military sales agreement, to the following countries participating, with or on behalf of the United States, in an exercise, a contingency operation, as defined by section 101 of this title, or war—

“(1) North Atlantic Treaty Organization bodies and member countries;

“(2) Countries permitting stationing of United States Armed Forces, importation of United States military equipment and materials and porting of ships;

- “(3) Counties holding a defense alliance with the United States; and
 “(4) Countries hosting military exercises involving the United States.”.

Subtitle B—Other Matters

SEC. 1221. REPEAL OF THE AUTHORIZATION FOR THE ESTABLISHMENT OF THE CENTER FOR THE STUDY OF CHINESE MILITARY AFFAIRS.

Section 914 of the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65; 113 Stat. 721), is repealed.

TITLE XIII—HOMELAND SECURITY

Sec. 1301. Sales of chemical and biological defense articles and services to state and local governments.

SEC. 1301. SALES OF CHEMICAL AND BIOLOGICAL DEFENSE ARTICLES AND SERVICES TO STATE AND LOCAL GOVERNMENTS.

(a) AUTHORITY FOR PROCUREMENT AND SALES.—Chapter 18 of title 10, United States Code, is amended by adding at the end the following new section:

“§383. Sales of chemical and biological defense articles and services to State and local governments

“(a) PROCUREMENT THROUGH THE DEPARTMENT OF DEFENSE.—The Secretary of Defense shall establish procedures in accordance with this subsection under which States and units of local government may purchase articles suitable for chemical and biological defense and operator training, repair and maintenance, and similar services in connection with such articles, through the Department of Defense.

“(b) SALES FROM INVENTORIES.—The Secretary of Defense may sell articles suitable for chemical and biological defense in Department of Defense inventories to States and units of local government at a price based upon the estimated or actual costs incurred by the Department in providing the articles.

“(c) PROVISION OF SERVICES.—The Secretary may provide, within any State or unit of local government, operator training, repair and maintenance, and similar services in connection with articles suitable for chemical and biological defense at a price based upon the estimated or actual costs incurred by the Department in providing the services.

“(d) PAYMENT FOR ARTICLES AND SERVICES.—Payment for articles and services under this section may be in advance or on providing the articles or services.

“(e) REIMBURSEMENT OF ADMINISTRATIVE COSTS.—In the case of any purchase made by a State or unit of local government under this section, the Secretary may require the State or unit of local government to reimburse the Department of Defense for administrative costs to the Department of such purchase.

“(f) CREDIT OF FUNDS FROM SALES.—Funds received by the Department of Defense from sales of articles under subsection (b) shall be credited to the military department, Defense Agency, or Department of Defense Field Activity that sold the articles so as to merge with and become available for the same purposes and period as the accounts to which they are credited, and shall be available until expended only for the acquisition of articles suitable for chemical and biological defense.

“(g) CREDIT OF FUNDS FOR SERVICES.—Funds received for the provision of services under subsection (c) shall be credited to the military department, Defense Agency, or Department of Defense Field Activity that provided the services and shall be available until expended only for the provision of such services.

“(h) DEFINITIONS.—In this section:

“(1) The terms ‘articles suitable for chemical and biological defense’ and ‘services’ have the meaning given those terms in regulations as prescribed by the Secretary of Defense.

“(2) The term ‘State’ has the meaning given the term in section 381(d)(1) of this title.

“(3) The term ‘unit of local government’ has the meaning given the term in section 381(d)(2) of this title.”.

“(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“383. Sales of chemical and biological defense articles and services to State and local governments.”.

DIVISION B—MILITARY CONSTRUCTION AUTHORIZATIONS

SEC. 2001. SHORT TITLE.

This division may be cited as the “Military Construction Authorization Act for Fiscal Year 2004”.

TITLE XXI—ARMY

SEC. 2101. AUTHORIZED ARMY CONSTRUCTION AND LAND ACQUISITION PROJECTS.

(a) **INSIDE THE UNITED STATES.**—Using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(1), the Secretary of the Army may acquire real property and carry out military construction projects for the installations or locations inside the United States, and in the amounts, set forth in the following table:

Army: Inside the United States

State	Installation or location	Amount
Alabama	Redstone Arsenal	\$5,500,000
Alaska	Fort Wainwright	\$138,800,000
Georgia	Fort Benning	\$30,000,000
	Fort Stewart/Hunter Army Air Field	\$64,500,000
Hawaii	Helemano Military Reserva- tion	\$1,400,000
	Schofield Barracks	\$119,400,000
Kansas	Fort Riley	\$40,000,000
Kentucky	Fort Knox	\$3,500,000
Louisiana	Fort Polk	\$72,000,000
Maryland	Fort Meade	\$9,600,000
New York	Fort Drum	\$114,500,000
North Carolina	Fort Bragg	\$152,000,000
Oklahoma	Fort Sill	\$3,500,000
Texas	Fort Hood	\$47,000,000
Virginia	Fort Myer	\$9,000,000
Washington	Fort Lewis	\$3,900,000
	Total	\$814,600,000

(b) **OUTSIDE THE UNITED STATES.**—Using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(2), the Secretary of the Army may acquire real property and carry out military construction projects for the installations or locations outside the United States, and in the amounts, set forth in the following table:

Army: Outside the United States

Country	Installation or location	Amount
Germany	Area Support Group, Bam- berg	\$17,900,000
	Darmstadt	\$7,700,000
	Grafenwoehr	\$76,000,000
	Heidelberg	\$17,000,000
	Hohenfels	\$13,200,000
	Mannheim	\$4,300,000
	Schweinfurt	\$7,500,000
	Wuerzburg	\$18,500,000
Italy	Aviano Air Base	\$15,500,000

Army: Outside the United States—Continued

Country	Installation or location	Amount
Korea	Livorno	\$22,000,000
	Camp Casey	\$86,000,000
	Camp Hovey	\$29,000,000
Kwajalein Atoll	Kwajalein Atoll	9,400,000
	Total	\$324,000,000

(c) UNSPECIFIED WORLDWIDE.—(1) Using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(3) and amounts, not to exceed \$150,000,000 provided under Public Law 107–38, the Secretary of the Army may acquire personal services and real property, and may provide for the operation and construction of critical infrastructure and allied systems to ensure essential governmental functions for the installation or location, and in the amount, set forth in the following table:

Army: Unspecified Worldwide

Location	Installation	Amount
Worldwide Unspecified ..	Unspecified Worldwide	\$663,900,000
	Total	\$663,900,000

(2) Military Construction projects, and those funded in whole or in part under Public Law 107–38, containing national security classified information and for the purposes of preventing, responding to, or countering the effects of terrorist attacks shall comply, to the extent practical, with applicable Federal, State, and local laws and other orders regarding regulatory compliance, consultation, coordination and inspection; provided that in carrying out such projects—

(A) no such compliance, consultation, coordination or inspection may expose, endanger, or otherwise compromise national security; and

(B) any anticipated exception to such compliance, consultation, coordination or inspection shall be addressed in project documentation submitted to Congress under paragraph (3).

(3) Where applicable, project documentation submitted to the congressional defense committees shall satisfy general provisions of section 1001 of Public Law 107–117 and address any exception to compliance, consultation, coordination or inspection anticipated by paragraph (2).

SEC. 2102. FAMILY HOUSING.

(a) CONSTRUCTION AND ACQUISITION.—Using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(6)(A), the Secretary of the Army may construct or acquire family housing units (including land acquisition and supporting facilities) at the installations or locations, for the purposes and in the amounts, set forth in the following table:

Army: Family Housing

State or Country	Installation or location	Purpose	Amount
Alaska	Fort Wainwright	100 Units ...	\$44,000,000
Arizona	Fort Huachuca	160 Units ...	\$27,000,000
Kentucky	Fort Knox	178 Units ...	\$41,000,000
New Mexico	White Sands Missile Range	58 Units	\$14,600,000
		Total: ...	\$126,600,000

(b) PLANNING AND DESIGN.—Using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(6)(A), the Secretary of the Army may

carry out architectural and engineering services and construction design activities with respect to the construction or improvement of family housing units in an amount not to exceed \$34,488,000.

SEC. 2103. IMPROVEMENTS TO MILITARY FAMILY HOUSING UNITS.

Subject to section 2825 of title 10, United States Code, and using amounts appropriated pursuant to the authorization of appropriations in section 2104(a)(6)(A), the Secretary of the Army may improve existing military family housing units in an amount not to exceed \$197,803,000.

SEC. 2104. AUTHORIZATION OF APPROPRIATIONS, ARMY.

(a) IN GENERAL.—Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for military construction, land acquisition and military family housing functions of the Department of the Army in the total amount of \$2,935,927,000 as follows:

(1) For military construction projects inside the United States authorized by section 2101(a), \$721,600,000.

(2) For military construction projects outside the United States authorized by section 2101(b), \$314,000,000.

(3) For military construction projects at unspecified worldwide locations authorized by section 2101(c), \$178,700,000.

(4) For unspecified minor construction projects authorized by section 2805 of title 10, United States Code, \$20,000,000.

(5) For architectural and engineering services and construction design under section 2807 of title 10, United States Code, \$122,710,000.

(6) For military family housing functions:

(A) For construction and acquisition, planning and design, and improvement of military family housing and facilities, \$356,891,000.

(B) For support of military family housing (including the functions described in section 2833 of title 10, United States Code), \$1,043,026,000.

(7) For the construction of phase 3 of a barracks complex, D Street, at Fort Richardson, Alaska, authorized by section 2101(a) of the Military Construction Authorization Act for Fiscal Year 2002 (division B of Public Law 107-107; 115 Stat. 1281), \$33,000,000.

(8) For the construction of phase 2 of a barracks complex, Capron Road, at Schofield Barracks, Hawaii, authorized by section 2101(a) of the Military Construction Authorization Act for Fiscal Year 2002 (division B of Public Law 107-107; 115 Stat. 1283), as amended by section 2105 of this Act, \$49,000,000.

(9) For the construction of phase 2 of a barracks complex, Range Road, at Fort Campbell, Kentucky, authorized by section 2101(a) of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (division B of Public Law 107-314; 116 Stat. 2681), \$49,000,000.

(10) For the construction of phase 3 of a barracks complex, 17th & B Streets, at Fort Lewis, Washington, authorized by section 2101(a) of the Military Construction Authorization Act for Fiscal Year 2002 (division B of Public Law 107-107; Stat. 1280), \$48,000,000.

SEC. 2105. MODIFICATION OF AUTHORITY TO CARRY OUT CERTAIN FISCAL YEAR 2002 PROJECTS.

(a) MODIFICATION.—The table in section 2101(a) of the Military Construction Authorization Act for Fiscal Year 2002 (division B of Public Law 107-107; 115 Stat. 1281), is amended in the item relating to Fort Richardson, Alaska, by striking “\$115,000,000” in the amount column and inserting “\$117,000,000”.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2104(b) of such Act (115 Stat. 1284) is amended by striking “\$52,000,000” and inserting “\$54,000,000”.

TITLE XXII—NAVY

SEC. 2201. AUTHORIZED NAVY CONSTRUCTION AND LAND ACQUISITION PROJECTS.

(a) INSIDE THE UNITED STATES.—Using amounts appropriated pursuant to the authorization of appropriations in section 2204(a)(1), the Secretary of the Navy may acquire real property and carry out military construction projects for the installations or locations inside the United States, and in the amounts, set forth in the following table:

Navy: Inside the United States

State	Installation or location	Amount
Arizona	Marine Corps Air Station, Yuma ..	\$22,230,000
California	Marine Corps Base, Camp Pendleton.	\$73,580,000
	Naval Air Station, Lemoore	\$34,510,000
	Marine Corps Air Station, Miramar.	\$4,740,000
	Naval Air Station, North Island ...	\$49,240,000
	Naval Air Warfare Center, China Lake	\$12,890,000
	Naval Air Warfare Center, Point Mugu, San Nicholas Island	\$6,150,000
	Naval Air Facility, San Clemente Island	\$18,940,000
	Naval Postgraduate School, Monterey.	\$35,550,000
	Naval Station, San Diego	\$49,710,000
	Marine Air Ground Task Force Training Center, Twentynine Palms	\$28,390,000
District of Columbia	Marine Corps Barracks	\$1,550,000
Florida	Naval Air Station, Jacksonville	\$3,190,000
	Naval Air Station, Whiting Field, Milton	\$4,830,000
	Naval Surface Warfare Center, Coastal Systems Station, Panama City	\$9,550,000
	Blount Island (Jacksonville)	\$115,711,000
Georgia	Strategic Weapons Facility Atlantic, Kings Bay	\$11,510,000
Hawaii	Fleet and Industrial Supply Center, Pearl Harbor	\$32,180,000
	Naval Magazine, Lualualei	\$6,320,000
	Naval Shipyard, Pearl Harbor	\$7,010,000
Illinois	Naval Training Center, Great Lakes.	\$137,120,000
Maryland	Naval Air Warfare Center, Patuxent River	\$24,370,000
	Naval Surface Warfare Center, Indian Head	\$14,850,000
Mississippi	Naval Air Station, Meridian	\$4,570,000
New Jersey	Naval Air Warfare Center, Lakehurst.	\$20,681,000
	Naval Weapons Station, Earle	\$123,720,000
North Carolina	Marine Corps Air Station, New River	\$6,240,000
	Marine Corps Base, Camp Lejeune.	\$29,450,000
Rhode Island	Naval Station, Newport	\$16,140,000
	Naval Undersea Warfare Center, Newport	\$10,890,000
Virginia	Henderson Hall, Arlington	\$1,970,000
	Marine Corps Combat Development Command, Quantico	\$3,700,000
	Naval Amphibious Base, Little Creek.	\$3,810,000
	Naval Station, Norfolk	\$182,240,000

Navy: Inside the United States—Continued

State	Installation or location	Amount
Washington	Naval Space Command Center, Dahlgren	\$20,520,000
	Norfolk Naval Shipyard, Ports- mouth.	\$17,770,000
	Naval Magazine, Indian Island	\$2,240,000
	Naval Submarine Base, Bangor	\$33,820,000
	Strategic Weapons Facility Pacific, Bangor	\$6,530,000
Various Locations	Various Locations, CONUS	\$56,360,000
Total		\$1,244,772,000

(b) OUTSIDE THE UNITED STATES.—Using amounts appropriated pursuant to the authorization of appropriations in section 2204(a)(2), the Secretary of the Navy may acquire real property and carry out military construction projects for the installations or locations outside the United States, and in the amounts, set forth in the following table:

Navy: Outside the United States

Country	Installation or location	Amount
Bahrain	Naval Support Activity, Bahrain ...	\$18,030,000
Italy	Naval Support Activity, La Maddalena	\$39,020,000
United Kingdom	Naval Air Station, Sigonella	\$34,070,000
	Joint Maritime Facility, St. Mawgan	\$7,070,000
	Total	\$98,190,000

SEC. 2202. FAMILY HOUSING.

(a) CONSTRUCTION AND ACQUISITION.—Using amounts appropriated pursuant to the authorization of appropriations in section 2204(a)(6)(A), the Secretary of the Navy may construct or acquire family housing units (including land acquisition and supporting facilities) at the installations or locations, for the purposes and in the amounts, set forth in the following table:

Navy: Family Housing

State or Country	Installation or loca- tion	Purpose	Amount
California	Naval Air Station, Lemoore	187 Units	\$41,585,000
Florida	Naval Air Station, Pensa- cola	25 Units	\$4,447,000
North Carolina	Marine Corps Base, Camp Lejeune	519 Units	\$68,531,000
	Marine Corps Air Sta- tion, Cherry Point	339 Units	42,803,000
Total			\$157,366,000

(b) PLANNING AND DESIGN.—Using amounts appropriated pursuant to the authorization of appropriation in section 2204(a)(5)(A), the Secretary of the Navy may carry out architectural and engineering services and construction design activities

with respect to the construction or improvement of military family housing units in an amount not to exceed \$8,381,000.

SEC. 2203. IMPROVEMENTS TO MILITARY FAMILY HOUSING UNITS.

Subject to section 2825 of title 10, United States Code, and using amounts appropriated pursuant to the authorization of appropriations in section 2204(a)(5)(A), the Secretary of the Navy may improve existing military family housing units in an amount not to exceed \$20,446,000.

SEC. 2204. AUTHORIZATION OF APPROPRIATIONS, NAVY.

Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for military construction, land acquisition and military family housing functions of the Department of the Navy in the total amount of \$2,169,829,000 as follows:

(1) For military construction projects inside the United States authorized by section 2201(a), \$909,992,000.

(2) For military construction projects outside the United States authorized by section 2201(b), \$98,190,000.

(3) For unspecified minor construction projects authorized by section 2805 of title 10, United States Code, \$12,334,000.

(4) For architectural and engineering services and construction design under section 2807 of title 10, United States Code, \$65,612,000.

(5) For military family housing functions:

(A) For construction and acquisition, planning and design and improvement of military family housing and facilities, \$184,193,000.

(B) For support of military family housing (including functions described in section 2833 of title 10, United States Code), \$852,778,000.

(6) For construction of a shipboard ashore BEQ at Naval Shipyard Norfolk, Virginia, authorized in section 2201(a) of the Military Construction Authorization Act for Fiscal Year 2003 (division B of Public Law 107-314; 116 Stat. 2687), \$46,730,000.

TITLE XXIII—AIR FORCE

SEC. 2301. AUTHORIZED AIR FORCE CONSTRUCTION AND LAND ACQUISITION PROJECTS.

(a) **INSIDE THE UNITED STATES.**—Using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(1), the Secretary of the Air Force may acquire real property and carry out military construction projects for the installations or locations inside the United States, and in the amounts, set forth in the following table:

Air Force: Inside the United States

State	Installation or location	Amount
Alabama	Maxwell Air Force Base	\$13,400,000
Alaska	Eielson Air Force Base	\$33,261,000
	Elmendorf Air Force Base	\$2,000,000
Arizona	Davis-Monthan Air Force Base	\$10,062,000
Arkansas	Little Rock Air Force Base	\$3,695,000
California	Beale Air Force Base	\$22,750,000
	Edwards Air Force Base	\$19,444,000
Colorado	Buckley Air Force Base	\$7,019,000
District of Columbia	Bolling Air Force Base	\$9,300,000
Florida	Hurlburt Field	\$7,800,000
	Tyndall Air Force Base	\$6,320,000
Georgia	Robins Air Force Base	\$29,264,000
Hawaii	Hickam Air Force Base	\$73,296,000
Idaho	Mountain Home Air Force Base	\$5,445,000
Illinois	Scott Air Force Base	\$1,900,000
New Jersey	McGuire Air Force Base	\$11,861,000
New Mexico	Tularosa	\$3,600,000
	Kirtland Air Force Base	\$7,097,000
North Carolina	Pope Air Force Base	\$24,499,000

Air Force: Inside the United States—Continued

State	Installation or location	Amount
	Seymour Johnson Air Force Base.	\$11,222,000
North Dakota	Minot Air Force Base	\$3,190,000
Ohio	Wright-Patterson Air Force Base.	\$10,500,000
Oklahoma	Altus Air Force Base	\$1,167,000
	Tinker Air Force Base	\$19,444,000
South Carolina	Charleston Air Force Base	\$9,042,000
Texas	Goodfellow Air Force Base	\$20,335,000
	Lackland Air Force Base	\$57,360,000
	Sheppard Air Force Base	\$29,167,000
Utah	Hill Air Force Base	\$15,848,000
Virginia	Langley Air Force Base	\$25,474,000
	Total	\$494,762,000

(b) OUTSIDE THE UNITED STATES.—Using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(2), the Secretary of the Air Force may acquire real property and carry out military construction projects for the installations or locations outside the United States, and in the amounts, set forth in the following table:

Air Force: Outside the United States

Country	Installation or location	Amount
Germany	Ramstein Air Base	\$35,616,000
	Spangdahlem Air Base	\$25,328,000
Italy	Aviano Air Base	\$14,025,000
Korea	Kunsan Air Base	\$7,059,000
	Osan Air Base	\$16,638,000
Portugal	Lajes Field, Azores	\$4,086,000
Turkey	Incirlik Air Base	\$3,262,000
United Kingdom	Royal Air Force, Lakenheath ..	\$30,587,000
	Royal Air Force, Mildenhall	\$10,558,000
Wake Island	Wake Island	\$24,000,000
	Total	\$171,159,000

(c) UNSPECIFIED WORLDWIDE.—Using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(3), the Secretary of the Air Force may acquire real property and carry out military construction projects for the installation or location, and in the amount, set forth in the following table:

Air Force: Unspecified Worldwide

Location	Installation or location	Amount
Unspecified Worldwide ..	Classified Location	\$29,501,000
	Total	\$29,501,000

SEC. 2302. FAMILY HOUSING.

(a) CONSTRUCTION AND ACQUISITION.—Using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(6)(A), the Secretary of the Air Force may construct or acquire family housing units (including land acquisition and supporting facilities) at the installations or locations, for the purposes and in the amounts, set forth in the following table:

Air Force: Family Housing

State or Country	Installation or location	Purpose	Amount
Arizona	Davis-Monthan Air Force Base	93 Units	\$19,357,000
California	Travis Air Force Base	56 Units	\$12,723,000
Delaware	Dover Air Force Base	112 Units	\$19,601,000
Florida	Eglin Air Force Base	279 Units	\$32,166,000
Idaho	Mountain Home Air Force Base	186 Units	\$37,126,000
Maryland	Andrews Air Force Base	50 Units	\$20,233,000
Missouri	Whiteman Air Force Base	100 Units	\$18,221,000
Montana	Malmstrom Air Force Base	94 Units	\$19,368,000
North Carolina	Seymour Johnson Air Force Base	138 Units	\$18,336,000
North Dakota	Grand Forks Air Force Base	144 Units	\$29,550,000
	Minot Air Force Base	200 Units	\$41,117,000
South Dakota	Ellsworth Air Force Base	75 Units	\$16,240,000
Texas	Dyess Air Force Base	116 Units	\$19,973,000
	Randolph Air Force Base	96 Units	\$13,754,000
Korea	Osan Air Base	111 Units	\$44,765,000
Portugal	Lajes Field, Azores	42 Units	\$13,428,000
Turkey	Incirlik Air Base	100 Units	\$17,538,000
United Kingdom	Royal Air Force, Lakenheath	89 Units	\$23,640,000
		Total	\$417,136,000

(b) **PLANNING AND DESIGN.**—Using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(6)(A), the Secretary of the Air Force may carry out architectural and engineering services and construction design activities with respect to the construction or improvement of military family housing units in an amount not to exceed \$33,488,000.

SEC. 2303. IMPROVEMENTS TO MILITARY FAMILY HOUSING UNITS.

Subject to section 2825 of title 10, United States Code, and using amounts appropriated pursuant to the authorization of appropriations in section 2304(a)(6)(A), the Secretary of the Air Force may improve existing military family housing units in an amount not to exceed \$248,998,000.

SEC. 2304. AUTHORIZATION OF APPROPRIATIONS, AIR FORCE.

(a) **IN GENERAL.**—Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for military construction, land acquisition and military family housing functions of the Department of the Air Force in the total amount of \$2,302,857,000 as follows:

(1) For military construction projects inside the United States authorized by section 2301(a), \$486,282,000.

(2) For military construction projects outside the United States authorized by section 2301(b), \$171,159,000.

(3) For the military construction projects at unspecified worldwide locations authorized by section 2301(c), \$28,981,000.

(4) For unspecified minor construction projects authorized by section 2805 of title 10, United States Code, \$12,000,000.

(5) For architectural and engineering services and construction design under section 2807 of title 10, United States Code, \$74,345,000.

(6) For military housing functions:

(A) For construction and acquisition, planning and design, and improvement of military family housing and facilities, \$695,622,000.

(B) For support of military family housing (including functions described in section 2833 of title 10, United States Code), \$834,468,000.

TITLE XXIV—DEFENSE AGENCIES

SEC. 2401. AUTHORIZED DEFENSE AGENCIES CONSTRUCTION AND LAND ACQUISITION PROJECTS.

(a) INSIDE THE UNITED STATES.—Using amounts appropriated pursuant to the authorization of appropriations in section 2405(a)(1), the Secretary of Defense may acquire real property and carry out military construction projects for the installations and locations inside the United States, and in the amounts, set forth in the following table:

Defense Agencies: Inside the United States

Agency	Installation or location	Amount
Defense Education Activity.	Marine Corps Base, Camp Lejeune, North Carolina	\$15,259,000
Defense Logistics Agency	Defense Distribution Depot, New Cumberland, Pennsylvania	\$27,700,000
	Eglin Air Force Base, Florida ..	\$4,800,000
	Eielson Air Force Base, Alaska	\$17,000,000
	Hickam Air Force Base, Hawaii	\$14,100,000
	Hurlburt Field, Florida	\$4,100,000
	Langley Air Force Base, Virginia	\$13,000,000
	Laughlin Air Force Base, Texas	\$4,688,000
	McChord Air Force Base, Washington	\$8,100,000
	Nellis Air Force Base, Nevada	\$12,800,000
	Offutt Air Force Base, Nebraska	\$13,400,000
National Security Agency.	Fort Meade, Maryland	\$1,842,000
Special Operations Command	Dam Neck, Virginia	\$15,281,000
	Fort Benning, Georgia	\$2,100,000
	Fort Bragg, North Carolina	\$36,300,000
	Fort Campbell, Kentucky	\$7,800,000
	Harrisburg International Airport, Pennsylvania	\$3,000,000
	Hurlburt Field, Florida	\$6,000,000
Tri-Care Management Activity	Naval Station, Anacostia, District of Columbia	\$15,714,000
	Naval Submarine Base, New London, Connecticut	\$6,700,000
	United States Air Force Academy, Colorado	\$22,100,000
	Walter Reed Medical Center, District of Columbia	\$9,000,000
Washington Headquarters Services	Arlington, Virginia	\$38,086,000
	Total	\$298,870,000

(b) OUTSIDE THE UNITED STATES.—Using amounts appropriated pursuant to the authorization of appropriations in section 2405(a)(2), the Secretary of Defense may acquire real property and carry out military construction projects for the installa-

tions and locations outside the United States, and in the amounts, set forth in the following table:

Defense Agencies: Outside the United States

Agency	Installation or location	Amount
Defense Education Agency	Grafenwoehr, Germany	\$36,247,000
.....	Heidelberg, Germany	\$3,086,000
.....	Sigonella, Italy	\$30,234,000
.....	Vicenza, Italy	\$16,374,000
.....	Vilseck, Germany	\$1,773,000
Special Operations Command	Stuttgart, Germany	\$11,400,000
Tri-Care Management Activity	Andersen Air Force Base, Guam	\$26,000,000
.....	Grafenwoehr, Germany	\$12,585,000
Total		\$137,699,000

SEC. 2402. FAMILY HOUSING.

Using amounts appropriated pursuant to the authorization of appropriations in section 2405(a)(8)(A), the Secretary of Defense may carry out architectural and engineering services and construction design activities with respect to the construction or improvement of military family housing units in an amount not to exceed \$300,000.

SEC. 2403. IMPROVEMENTS TO MILITARY FAMILY HOUSING UNITS.

Subject to section 2825 of title 10, United States Code, and using amounts appropriated pursuant to the authorization of appropriations in section 2404(a)(5)(A), the Secretary of Defense may improve existing military family housing units in an amount not to exceed \$50,000.

SEC. 2404. ENERGY CONSERVATION PROJECTS.

Using amounts appropriated pursuant to the authorization of appropriations in section 2405(a)(6), the Secretary of Defense may carry out energy conservation projects under section 2865 of title 10, United States Code, in the amount of \$69,500,000.

SEC. 2405. AUTHORIZATION OF APPROPRIATIONS, DEFENSE AGENCIES.

Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for military construction, land acquisition, and military family housing functions of the Department of Defense (other than the military departments) in the total amount of \$1,017,718,000, as follows:

(1) For military construction projects inside the United States authorized by section 2401(a), \$296,670,000.

(2) For military construction projects outside the United States authorized by section 2401(b), \$120,334,000.

(3) For unspecified minor construction projects under section 2805 of title 10, United States Code, \$16,153,000.

(4) For contingency construction projects of the Secretary of Defense under section 2804 of title 10, United States Code, \$8,960,000.

(5) For architectural and engineering services and construction design under section 2807 of title 10, United States Code, \$59,884,000.

(6) For Energy Conservation projects authorized by section 2404 of this Act, \$69,500,000.

(7) For base closure and realignment activities as authorized by the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note), \$370,427,000.

(8) For military family housing functions:

(A) For planning and design and improvement of military family housing and facilities, \$350,000.

(B) For support of military family housing (including functions described in section 2833 of title 10, United States Code), \$49,440,000.

(C) For credit to the Department of Defense Family Housing Improvement Fund established by section 2883(a)(1) of title 10, United States Code, \$300,000.

(9) For construction of the Defense Threat Reduction Center at Fort Belvoir, Virginia, authorized by section 2401(a) of the Military Construction Authorization Act for Fiscal Year 2003 (division B of Public Law 107-314; 116 Stat. 2695), \$25,700,000.

TITLE XXV—NORTH ATLANTIC TREATY ORGANIZATION SECURITY INVESTMENT PROGRAM

SEC. 2501. AUTHORIZED NATO CONSTRUCTION AND LAND ACQUISITION PROJECTS.

The Secretary of Defense may make contributions for the North Atlantic Treaty Organization Security Investment Program as provided in section 2806 of title 10, United States Code, in an amount not to exceed the sum of the amount authorized to be appropriated for this purpose in section 2502 and the amount collected from the North Atlantic Treaty Organization as a result of construction previously financed by the United States.

SEC. 2502. AUTHORIZATION OF APPROPRIATIONS, NATO.

Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for contributions by the Secretary of Defense under section 2806 of title 10, United States Code, for the share of the United States of the cost of projects for the North Atlantic Treaty Organization Security Investment Program authorized by section 2501, in the amount of \$169,300,000.

TITLE XXVI—GUARD AND RESERVE FORCES FACILITIES

SEC. 2601. AUTHORIZED GUARD AND RESERVE CONSTRUCTION AND LAND ACQUISITION PROJECTS.

Funds are hereby authorized to be appropriated for fiscal years beginning after September 30, 2003, for the costs of acquisition, architectural and engineering services, and construction of facilities for the Guard and Reserve Forces, and for contributions therefor, under chapter 1803 of title 10, United States Code (including the cost of acquisition of land for those facilities), the following amounts:

(1) For the Department of the Army—

(A) for the Army National Guard of the United States, \$168,298,000; and

(B) for the Army Reserve, \$68,478,000.

(2) For the Department of the Navy, for the Naval and Marine Corps Reserve, \$28,032,000.

(3) For the Department of the Air Force—

(A) for the Air National Guard of the United States, \$60,430,000; and

(B) for the Air Force Reserve, \$44,312,000.

TITLE XXVII—EXPIRATION AND EXTENSION OF AUTHORIZATIONS

SEC. 2701. EXPIRATION OF AUTHORIZATIONS AND AMOUNTS REQUIRED TO BE SPECIFIED BY LAW.

(a) EXPIRATION OF AUTHORIZATIONS AFTER THREE YEARS.—Except as provided in subsection (b), all authorizations contained in titles XXI through XXVI for military construction projects, land acquisition, family housing projects and facilities, and contributions to the North Atlantic Treaty Organization Security Investment Program (and authorizations of appropriations therefor) shall expire on the later of—

(1) October 1, 2006; or

(2) the date of the enactment of an Act authorizing funds for military construction for fiscal year 2007.

(b) EXCEPTION.—Subsection (a) shall not apply to authorizations for military construction projects, land acquisition, family housing projects, and facilities, and contributions to the North Atlantic Treaty Organization Security Investment Pro-

gram (and authorizations of appropriations therefor) for which appropriated funds have been obligated before the later of—

(1) October 1, 2006; or

(2) the date of the enactment of an Act authorizing funds for fiscal year 2007 for military construction projects, land acquisition, family housing projects and facilities, and contributions to the North Atlantic Treaty Organization Security Investment Program.

SEC. 2702. EXTENSION OF AUTHORIZATIONS OF CERTAIN FISCAL YEAR 2001 PROJECTS.

(a) **EXTENSION.**—Notwithstanding section 2701 of the Military Construction Authorization Act for Fiscal Year 2001 (division B of Public Law 106–398; 114 Stat. 1654A–389), authorizations set forth in the tables in subsection (b), as provided in sections 2102, 2201, and 2404 of that Act, shall remain in effect until October 1, 2004, or the date of the enactment of an Act authorizing funds for military construction for fiscal year 2005, whichever is later.

(b) **TABLES.**—The tables referred to in subsection (a) are as follows:

Army: Extension of 2001 Project Authorization

State	Installation or location	Project	Amount
South Carolina	Fort Jackson	New Construction—GFOQ	\$250,000

Navy: Extension of 2001 Project Authorization

State	Installation or location	Project	Amount
Pennsylvania	Naval Surface Warfare Center Shipyard Systems Engineering Station, Philadelphia	Gas Turbine Test Facility	\$10,680,000

Defense Agencies: Extension of 2001 Project Authorizations

State	Installation or location	Project	Amount
Defense Education Activity	Seoul, Korea	Elementary School Full Day Kindergarten Classroom Addition	\$2,317,000
	Taegu, Korea	Elementary/High School Full Day Kindergarten Classroom Addition	\$762,000

SEC. 2703. EXTENSION OF AUTHORIZATIONS OF CERTAIN FISCAL YEAR 2000 PROJECTS.

(a) **EXTENSION.**—Notwithstanding section 2701 of the Military Construction Authorization Act for Fiscal Year 2000 (division B of Public Law 106–65; 113 Stat. 841), authorizations set forth in the tables in subsection (b), as provided in section 2601 of that Act, shall remain in effect until October 1, 2004, or the date of the en-

actment of an Act authorizing funds for military construction for fiscal year 2005, whichever is later.

(b) TABLE.—The tables referred to in subsection (a) are as follows:

Air Force: Extension of 2000 Project Authorization

State	Installation or location	Project	Amount
Oklahoma	Tinker Air Force Base	Replace Family Housing (41 Units)	\$6,000,000

Army: Extension of 2000 Project Authorization

State	Installation or location	Project	Amount
Virginia	National Guard Ft. Pickett	Multi-purpose Range-Heavy	\$13,500,000

SEC. 2704. EFFECTIVE DATE.

Titles XXI, XXII, XXIII, XXIV, XXV, XXVI, and XXVII shall take effect on the later of—

- (1) October 1, 2003; or
- (2) the date of the enactment of this Act.

TITLE XXVIII—GENERAL PROVISIONS

Subtitle A—Military Construction and Military Family Housing

SEC. 2801. STREAMLINING MILITARY CONSTRUCTION TO REDUCE FACILITY ACQUISITION AND CONSTRUCTION CYCLE TIME.

(a) THRESHOLDS.—(1) Section 2803(c)(1) of title 10, United States Code, is amended by striking “\$30,000,000” and inserting “\$60,000,000”.

(2) Section 2805 of such title is amended—

(A) in subsection (a)(1)—

- (i) by striking “\$1,500,000” and inserting “\$3,000,000”; and
- (ii) by striking “\$3,000,000” and inserting “\$6,000,000”.

(B) in subsection (b)(1) by striking “\$750,000” and inserting “\$1,500,000”; and

(C) in subsection (c)(1)—

- (i) by striking “\$1,500,000” in subparagraph (A) and inserting “\$3,000,000”; and
- (ii) by striking “\$750,000” in subparagraph (B) and inserting “\$1,500,000”.

(3) Section 2811(b) of such title is amended by striking “\$5,000,000” and inserting “\$10,000,000”.

(4) Section 18233a of such title is amended by striking “\$1,500,000 in subsection (a)(1) and inserting “\$3,000,000”.

(b) PROJECT APPLICABILITY.—Section 2805(b)(1) of such title is amended by inserting at the end “This paragraph shall not apply to unspecified minor military construction projects using funds made available for operation and maintenance in accordance with subsection (c).”

(c) DESIGN-BUILD CONTRACTING.—(1) Section 2305a(c)(5) of such title is amended—

(A) by inserting “(A)” after “(5)”; and

(B) by adding at the end the following new subparagraph:

“(B) Notwithstanding any other provision of law, a military department may accelerate design effort for design-build contracts (fast-track design funding) to accom-

plish the design effort for any military construction or family housing construction project, prior to the project being authorized and appropriated, if (1) the contractor to whom the contract will be awarded has been selected using design-build selection procedures established under this section, (2) a request for the authorization and appropriation of construction funds has been submitted to Congress as part of the Department's annual budget, and (3) the Government's liability in a Termination for Convenience would not exceed costs above that attributable to the final design of the project."

(2) Section 2807(a) of such title is amended by striking "in connection with military construction projects not otherwise authorized by law" at the end of the first sentence and inserting "regardless of the intended acquisition approach, in connection with a military construction project otherwise, or not otherwise, authorized by law".

(d) COST VARIATIONS.—Section 2853(a) of such title is amended by striking "or 200 percent of the minor construction project ceiling specified in section 2805(a)(1), whichever is less".

(e) REAL PROPERTY TRANSACTIONS.—(1) Section 2662 is repealed.

(2) Section 2672 of such title is amended—

(A) in the title, by striking "\$500,000" and inserting "the unspecified minor military construction project ceiling in section 2805(a)(1) of this title"; and

(B) in subsection (a)(1)(B), by striking "\$500,000" and inserting "the unspecified minor military construction project ceiling in section 2805(a)(1) of this title"; and

(C) in subsection (a)(2), by striking "\$500,000" and inserting "the unspecified minor military construction project ceiling in section 2805(a)(1) of this title".

(3) Section 2672a(b) of such title is amended by striking the last sentence.

SEC. 2802. INCREASED TERMS FOR LEASES OF FAMILY HOUSING AND OTHER FACILITIES IN FOREIGN COUNTRIES.

(a) LEASES OF FAMILY HOUSING IN FOREIGN COUNTRIES.—Section 2828(d)(1) of title 10, United States Code, is amended by striking "ten years" and inserting "fifteen years".

(b) LEASES OF OTHER FACILITIES IN FOREIGN COUNTRIES.—Section 2675 of such title is amended by striking "five years" and inserting "fifteen years".

Subtitle B—Real Property and Facilities Administration

SEC. 2811. EXPANDED AUTHORITY TO TRANSFER PROPERTY AT MILITARY INSTALLATIONS TO BE CLOSED TO PERSONS WHO CONSTRUCT OR PROVIDE MILITARY HOUSING.

(a) 1988 LAW.—Section 204(e) of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100–526; 10 U.S.C. 2687 note) is amended by striking "FAMILY" in the subsection heading.

(b) 1990 LAW.—Section 2905(f) of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101–510; 10 U.S.C. 2687 note) is amended by striking "FAMILY" in the subsection heading.

SEC. 2812. ACCEPTANCE OF IN-KIND CONSIDERATION FOR EASEMENTS.

(a) EASEMENTS FOR RIGHTS-OF-WAY.—Section 2668 of title 10, United States Code, is amended by adding at the end the following new subsections:

"(f) In addition to any cash consideration accepted under subsection (e), the Secretary concerned may accept in-kind consideration with respect to easements granted under this section, including the following:

"(1) Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

"(2) Construction of new facilities.

"(3) Provision of facilities for use by the military departments.

"(4) Facilities operation support.

"(5) Provision of such other services relating to activities that will occur on the property subject to the easement, as the Secretary concerned considers appropriate.

"(g) The Secretary concerned may accept in-kind consideration under subsection (f) at any property or facilities under his or her control that he or she selects for that purpose.

"(h) Sections 2662 and 2802 of this title shall not apply to construction of any new facilities accepted as in-kind consideration under this subsection."

(b) EASEMENTS FOR RIGHTS-OF-WAY: GAS, WATER, AND SEWER PIPELINES.—Section 2669 of such title is amended by adding at the end the following new subsections:

“(f) In addition to any cash consideration accepted under subsection (e), the Secretary concerned may accept in-kind consideration with respect to easements granted under this section, including the following:

“(1) Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

“(2) Construction of new facilities.

“(3) Provision of facilities for use by the military departments.

“(4) Facilities operation support.

“(5) Provision of such other services relating to activities that will occur on the property subject to the easement, as the Secretary concerned considers appropriate.

“(g) The Secretary concerned may accept in-kind consideration under subsection (f) any property or facilities under his or her control that he or she selects for that purpose.

“(h) Sections 2662 and 2802 of this title shall not apply to construction of any new facilities accepted as in-kind consideration under this subsection.”.

SEC. 2813. MODIFICATION OF AUTHORITY TO ACCEPT FUNDS TO COVER ADMINISTRATIVE EXPENSES RELATING TO CERTAIN REAL PROPERTY TRANSACTIONS.

Section 2695 of title 10, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

“(a) AUTHORITY TO ACCEPT.—In connection with a real property transaction referred to in subsection (b) with a non-Federal person or entity, the Secretary of a military department may charge the person or entity, either in advance or arrears, amounts to cover administrative expenses incurred by the Secretary in reviewing and implementing the covered transaction.”;

(2) in subsection (b), by inserting “whether or not the transaction is completed” before the colon; and

(3) in subsection (c)—

(A) by inserting “or are to be” after “expenses were”; and

(B) by adding at the end the following new sentence: “After liquidation of all subsection (a) administrative expenses, the amount of any overpayment shall be refunded to the non-Federal person or entity from the appropriation, fund, or account into which the funds were originally deposited in such a way as to merge with and become available for the same purposes and period as the accounts to which they are credited.”.

SEC. 2814. AUTHORITY TO CONVEY PROPERTY AT MILITARY INSTALLATIONS TO PERSONS WHO CONSTRUCT OR PROVIDE MILITARY HOUSING.

(a) AUTHORITY TO CONVEY PROPERTY.—Subchapter III of chapter 169 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 2869. Conveyance of property to persons who construct or provide military housing

“(a) AUTHORITY TO CONVEY PROPERTY.—Subject to subsection (b), the Secretary concerned may enter into an agreement to convey real property, including any improvements, structures or fixtures located thereon, on a military installation to any person who agrees, in exchange for the real property, to transfer to the Secretary housing that is constructed or provided by the person and located at or near a military installation at which there is a shortage of suitable housing to meet the requirements of members of the Armed Forces and their dependents.

“(b) REQUIREMENTS FOR CONVEYANCE.—A conveyance of real property may be made under subsection (a) only if—

“(1) the Secretary determines that the real property to be conveyed is in excess of the needs of the military installation;

“(2) the fair market value of the housing to be received by the Secretary in exchange for the real property to be conveyed is equal to or greater than the fair market value of such property, including any improvements, structures or fixtures located thereon, as determined by the Secretary; and

“(3) in the event the fair market value of the housing is less than the fair market value of the real property to be conveyed, including any improvements, structures or fixtures located thereon, the recipient of the real property agrees to pay to the Secretary the amount equal to the excess of the fair market value of such real property over the fair market value of the housing.

“(c) DEPOSIT OF FUNDS.—Notwithstanding any other provision of law, the Secretary may deposit funds received under subsection (b)(3) in the Department of Defense Housing Improvement Fund established under section 2883(a) of this title to be merged with and used for the same purpose as funds already in the account.

“(d) EXEMPTIONS.—The conveyance of real property under this section shall not be subject to the following:

“(1) Section 501 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11411).

“(2) Section 2693 of this title.

“(e) ADDITIONAL TERMS.—The Secretary may require any additional terms and conditions in connection with an agreement authorized by this section as the Secretary considers appropriate to protect the interests of the United States.

“(f) DEFINITION.—In this section, the term ‘housing’ means both military family housing and military unaccompanied housing.”

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such subchapter is amended by adding at the end the following new item:

“2869. Conveyance of property to persons who construct or provide military housing.”

(c) CONFORMING AMENDMENT.—Section 2883(c)(1) of such title is amended by adding at the end the following new subparagraph:

“(F) Any amounts that the Secretary concerned transfers to that Fund pursuant to section 2869 of this title.”

SEC. 2815. INCREASE IN THRESHOLD FOR REPORTS TO CONGRESSIONAL COMMITTEES ON REAL PROPERTY TRANSACTIONS.

Section 2662 of title 10, United States Code, is amended by striking “\$500,000” each place it appears and inserting “the unspecified minor military construction project limit under section 2805(c)(1)(B) of this title”.

SEC. 2816. CONTRACTING WITH LOCAL GOVERNMENTS FOR MUNICIPAL SERVICES.

(a) AUTHORITY.—Chapter 146 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 2476. Contracting with local governments for municipal services

“Subject to the provisions of this chapter, but notwithstanding any other provision of law related to the award of public contracts, the Secretary of Defense or the Secretary of a military department may enter directly into a contract or other agreement for public works, utility and other municipal services at an installation or facility of the Department of Defense, with the municipality or local government responsible for serving the area that includes that installation or facility. The Secretary concerned may enter into such a contract or agreement, even if the municipality or local government to which the Secretary makes award is required by law to provide those services to the public without direct charge.”

(b) CONFORMING AMENDMENT.—Section 816 of the National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337; 108 Stat. 2820) is repealed.

(c) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“2476. Contracting with local governments for municipal services.”

Subtitle C—Other Matters

SEC. 2821. INCREASE AUTHORITY TO LEASE MILITARY FAMILY HOUSING IN ITALY.

Section 2828(e)(2) of title 10, United States Code, is amended by striking “2,000” and inserting “2,800”.

SEC. 2822. CONVEYANCE OF ARMY AND AIR FORCE EXCHANGE SERVICE PROPERTY, DALLAS, TEXAS.

(a) CONVEYANCE AUTHORIZED.—The Secretary of Defense may authorize the Army and Air Force Exchange Service, which is a nonappropriated fund instrumentality of the United States, to sell all right, title, and interest of the United States in and to a parcel of real property, including improvements thereon, that is located at 1515 Roundtable Drive in Dallas, Texas.

(b) CONSIDERATION.—As consideration for conveyance under subsection (a), the purchaser shall pay, in a single lump sum payment, an amount equal to the fair market value of the real property conveyed, as determined by the Secretary. The payment shall be handled in the manner provided in section 204(c) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 485(c)). Such funds and

credit receipts shall not go to the general treasury but to the Department of Defense to merge with and become available for the same purposes and period as the accounts to which they are credited.

(c) DESCRIPTION OF PROPERTY.—The exact acreage and legal description of the real property to be conveyed under subsection (a) shall be determined by a survey satisfactory to the Secretary. The cost of the survey shall be borne by the purchaser.

(d) ADDITIONAL TERMS AND CONDITIONS.—The Secretary may require such additional terms and conditions in connection with the conveyance under subsection (a) as the Secretary considers appropriate to protect the interests of the United States.



FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—SECRETARY OF DEFENSE; CHAIRMAN OF THE JOINTS CHIEF OF STAFF; UNDER SECRETARY OF DEFENSE (COMPTROLLER)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, February 5, 2003.

The committee met, pursuant to call, at 2 p.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The hearing will come to order.

Today the committee meets to receive testimony on the administration's defense budget request for fiscal year 2004. And it is a pleasure to welcome back Secretary of Defense Donald Rumsfeld, General Myers and Dr. Zakheim.

We have got a lot of ground to cover today. With our slightly enlarged complement of 61 members, I want to make sure that we reserve as much time as possible for individual members to engage the witnesses.

And, Mr. Secretary, this is the third time you have appeared before the committee to present a Bush administration budget proposal, but I believe it is fair to say that this may be the first budget that fully reflects the priorities of the administration across the board.

We will spend the better part over the next several months reviewing and debating these priorities, and through this process look forward to arriving at a common view on the best approach to provide the strongest possible defense for the Nation.

This said, Mr. Secretary, the defense program being put forward presents many of us who have long worked in the trenches for a strong defense with a series of dilemmas.

First, you deserve tremendous credit for sharply reversing a decade-long decline in defense spending that characterized the previous administration. And I just added the numbers up, and this budget is some \$94 billion above the last budget of the prior administration—94 billion.

However, the defense budget hole that was carved out during the 1990s will take more than two years' worth of significant increases to reverse. Thus, I am concerned with the modest four percent increase proposed for this year and beyond, and I am worried that we are somehow calling it quits before the job is done. We need to

sustain significant defense budget increases for at least a few more years in order to buy back a decade of systemic damage and disinvestment across the defense program.

Only then can we afford to flatten out the defense investment curve over the long haul. And I am sure, Mr. Secretary, you are well aware of the aging fleets of aircraft, the two-thirds of our naval aircraft that are over 15 years old, the 18-½-year-old average age of Army helicopters, and down the line.

Notwithstanding marginal increases in the key modernization accounts, we are still lagging far behind what we believe is necessary to support a modern, sustainable and sufficient combat force over the long-term. The proposed \$72 billion for procurement that is reflected in this budget falls short of what has been broadly identified as a necessary level of reinvestment to sustain the current force. I know you are aware of the CBO analysis that says that 90-billion-plus was the right number, and the Joint Chiefs have said we need to do something in excess of \$100 billion per year to sustain the current force.

Further, the proposed budget recommends retiring or canceling programs in virtually every key combat category to carve out the resources, to reinvest in transformational future systems.

I have never been one to argue that we should not cancel or retire systems that have truly outlived their useful life or purpose, but starting with the Air Force decision to retire a third of the B-1 bomber fleet, we continue to cut into the very foundation of our conventional combat power solely to free up funds for other needed initiatives.

Simply put, Mr. Secretary, we should not be forced to incur such near-term risks in terms of diminished combat capability in order to invest in the future solely because we have not properly resourced the defense budget.

Final point: The Department will soon approach the halfway point for the current fiscal year and still has received no additional resources for the billions of dollars in costs associated with the ongoing war on terrorism, homeland security support, and generally increased pace of operations since September 11th.

This committee has over the years seen the lasting damage done when the Department was asked to pay for significant military operations out of hide, with the promise of being made whole some later time in the year. We know that once the services start canceling or deferring key maintenance and training activities to pay these bills, you never make up the lost opportunities, and it invariably results in a downward spiral in overall readiness.

I realize I am preaching to the choir a bit here, but given the enormity of the bills the Department faces during this current year, it is important to stress the point once again that early action should be taken to replenish operational accounts as soon as possible and thus avoid the familiar negative effects of operating in this manner.

Mr. Secretary, I look forward to your testimony today and trust you will fully address these concerns in your presentation and through the continuing dialogue that you will sustain with the committee as this process moves forward.

And let me just say, Mr. Secretary, on a personal level, I want you to know that I feel that we could not be better represented, better led in the Department of Defense. Your challenges are enormous, you have got a great Armed Services Committee that wants to work with you to make our military more effective.

This Nation has been called in a very difficult time, the armed forces of this Nation have been called to serve their country in difficult circumstances. And believe me, every member of this committee is willing to put their shoulder to the wheel to work together with you as a team. There has never been a time in which it is more important for us to move forward from our shores in implementing American foreign policy under our commander in chief, speaking with one voice, and giving you the tools that you need to get the job done.

So we have great faith in you. You have got a difficult challenge ahead of you. We will work with you.

And with those remarks, I would like to turn to my great friend, the gentleman from Missouri, who is our partner and your partner in defending this country, Mr. Skelton.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 67.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much.

At the outset, let me say to everyone here that I am truly honored to have the opportunity to work with my good friend, my colleague through the years, Duncan Hunter, in this the 108th Congress. And I congratulate you on being our chairman.

Secretary Rumsfeld, General Myers, Dr. Zakheim, thank you so much for being with us. As we all know, we meet at a dangerous time. Secretary Powell's presentation to the United Nations Security Council this morning was sobering, and it demonstrates the need to disarm Iraq. I commend the administration for working within the Security Council to urge you, and I urge you to continue to do so.

We must act militarily. If so, it is better to fight under a Security Council sanction and with the broadest coalition possible.

Now, at the same time, we face a deepening crisis on the Korean Peninsula and continuing operations around the world in the war on terrorism. Our Nation is unique in its global leadership, and that leadership means being able to handle multiple conflicts simultaneously. The administration's national military strategy acknowledges this reality, and our planning and budgeting must also.

I applaud the overall spending level for defense that has been put forward. This is much like—much like, in the budget, including continued pay raises for our troops who are now deployed more than ever—the investment of nearly \$25 billion in transformational technologies and weapons programs and the purchase of seven new ships. But our global leadership role in a time of multiple crises raises, as you know, questions as well.

First, the Department's funding request of \$380 billion does not include the cost of operations; Duncan Hunter has already men-

tioned this. We need to pay attention to it. I know how difficult it is to estimate what future operations will cost, but Congress can use your best estimate as to what the full defense bill might be for the fiscal year 2004.

Second, global leadership means global presence. The visibility of our troops and our ships around the world both reassures our friends and deters our adversaries. I am pleased with the ship-building plan in this budget. Decommissionings will bring the naval fleet size down to 291 by fiscal year 2006, a level we haven't hit since 1916. Now, I know that our ships have far greater capabilities now, but the geography of the ocean is unchanged. There is a great deal to be said about the presence of a sailor walking down the street in another country.

And last, I return to the theme of end strength. Our global operations and the looming threats in Iraq and North Korea are putting a great strain on our troops. The increase in Special Operations forces may well come from existing Army billets. Clearly, we need more Special Operations troops, but these should come from end-strength increases, not by cannibalizing the Army forces.

Now, Mr. Secretary, I congratulate you on the work that you have done. I know that you will continue to do the high level, difficult, challenging work that is ahead of you. And I want you to know that we all stand ready to work with you on all of these priorities.

And making trade-offs in a time of war is very, very difficult, even with a defense budget that is increasing in size. So I congratulate you for your fine efforts, and we look forward to working with you, shoulder to shoulder.

Thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 72.]

The CHAIRMAN. General Myers, Mr. Zakheim, and, Secretary Rumsfeld, thank you for being with us.

And Mr. Secretary, the floor is yours.

STATEMENT OF HON. DONALD H. RUMSFELD, SECRETARY, U.S. DEPARTMENT OF DEFENSE

Secretary RUMSFELD. Thank you very much, Mr. Chairman, and Congressman Skelton. I have submitted a much longer statement, Mr. Chairman, and I would appreciate it if it be put in the record.

The CHAIRMAN. Without objection, it will be put in the record.

Secretary RUMSFELD. Mr. Chairman and members of the committee, we thank you for this opportunity to update the committee on our progress in transforming the Department of Defense, and to discuss the President's budget for fiscal year 2004 to 2009.

I particularly appreciate having the session in the afternoon so so many of us could watch the excellent and powerful presentation by Secretary Powell at the United Nations this morning.

In response to your comment, Mr. Chairman, let me just say a word or two. First, I fully agree that it would have been preferable had we had our full budget approved last year. And I appreciate the efforts of this committee to see that that could happen. But, unfortunately, it was not the case.

Second, with respect to the size of the budget, we are certainly engaged in a war on terror and an effort to protect America and our allies in a time when dictators are trying to get weapons of mass destruction. And the more we learn, the more we realize how large and demanding these challenges are proving to be.

The 2004 numbers represent our best estimate at the time the budget was developed. It may well change over the coming period as we learn more about the demands of safety on a worldwide basis. There is no doubt in my mind, for example, that we will be back with a supplemental, and reasonably soon, to fund the Global War on Terrorism as well as the costs of flowing forces in connection with support to the diplomacy in Iraq.

We also have under way intense efforts to transform the Department and streamline and modernize to save the taxpayers money. As those efforts succeed, we ought to be able to shift some of those resources towards more urgent and more productive uses.

President Bush vowed on taking office that he would order an immediate comprehensive review of our military. He said that he would give his team at the Department a broad mandate to challenge the status quo and envision a new architecture of American defense for the decade to come.

For the past two years, we have pursued the goals that he set out. We have fashioned a new defense strategy, a new approach to sizing our forces, a new approach to balancing risks. We have reorganized the Department somewhat to better focus on space activities. We have adopted a new unified command plan which establishes the new Northern Command to better defend the homeland, a Joint Forces Command that focuses on transformation, a new Strategic Command responsible for early warning of and defense against missile attack and the conduct of long-range attacks.

We have expanded the mission of Special Operations Command so that it cannot only support missions that are directed by regional combatant commanders, but also plan and execute its own missions in pursuit of the Global War on Terror.

We have reorganized and revitalized the missile defense research development and testing program, and are freed from the constraints of the ABM Antiballistic Missile (ABM) Treaty. We have completed the nuclear posture review with a new approach to deterrence that will enhance our security while permitting truly historic deep reductions in offensive nuclear weapons.

We have moved from a threat-based to a capabilities-based approach to defense planning, focusing not only on who might threaten us, or where or when, and more on how we might be threatened and what portfolio of capabilities this country will need to deter and defend against those new threats.

These are critically important accomplishments. In my view, they will benefit our national security for many, many years to come. But as important as these changes are, they must be only the beginning.

To win the Global War on Terror, our Armed Forces need to be flexible, light and agile, so that they can respond quickly to sudden changes in the world. The same is true of the men and women who support them in the Department, who also need to be flexible and agile so that we can move money and shift people, and design and

buy new weapons more quickly and respond to the frequent, sudden changes in our security environment.

Today, we do not have that kind of agility. In an age when terrorists move information at the speed of an e-mail, money at the speed of a wire transfer, and people at the speed of a commercial jetliner, the Defense Department, I regret to say, is still bogged down in bureaucratic processes of the Industrial Age, not the Information Age.

Some of these difficulties are self-imposed, to be sure, but some are the result of law and regulation. Together, they have created a culture that too often stifles innovation. Consider just a few of the obstacles we face each day. Think of this 2004 budget as we consider it today.

It was developed by the Department of Defense from March to December of last year. That was the setting in which this budget was developed. The Office of Management and Budget (OMB) considered it from December to February, when the President presented it to the Congress, so you have just received it. Congress will likely be considering it from now to probably October or November, as it goes through the authorization and the appropriation and the conferences.

And if—as in the past—the Congress will probably make some 10 to 20 percent changes in what the President proposed, DOD will then try to live with what is left during that period from October of this year until October—September 30th, to be precise—of 2004. That means, at any given time during the coming fiscal year, that this budget will address the plan that we developed last year, will be between 14 to 30 months old while we are trying to implement the product that comes out of the Congress. And we will be doing this in a world that is changing monthly before our eyes. At the minimum, we will always be between one and two and a half years out of date from the time the budget was fashioned and the time we are actually implementing it.

The Department of Defense spends an average of \$42 million an hour. We are not allowed to move more than \$15 million from one account to another without getting permission from four to six committees, congressional committees, a process that can sometimes take several months to complete.

Today, we estimate we have some 320,000 uniformed people doing nonmilitary jobs, yet we are calling up Reserves to fight the Global War on Terror.

We must prepare and submit 26,000 pages of justifications and over 800 required reports to Congress each year, many of marginal value and probably some never read; yet, they consume hundreds of thousands of hours, to say nothing of the trees that are destroyed. These problems make it increasingly difficult to balance the risk.

Consider these facts: I am told that when I was Secretary of Defense the last time in 1977, that the Defense authorization bill was 16 pages long. In 2001, it has grown to 534 pages.

In 1977, Congress made a total of 46 changes to the Army and Defense Agency Research, Development and Testing Evaluation programs. In 2001, that number had grown to 450 individual

changes made by the various committees in the House and the Senate.

For every change Congress makes in a program, there is a cost elsewhere in the budget; that is to say, every dollar added one place means a dollar has to be taken out, whether it is for housing or spare parts or transformation, whatever, making it difficult to all of us to keep in mind the importance of balancing the risks.

We spend millions of taxpayer dollars training top-notch officers and senior enlisted, giving them experience, and then we shove them out the door in their 40s and early 50s when they are at the top of their game. And, of course, we end up paying 60 percent of their base pay and providing them with comprehensive health care for the rest of their lives.

We could benefit, in my view, from their services longer, and we need to find ways to do that. The point is this: We are fighting the first wars of the 21st century with a Defense Department that was fashioned to meet the challenge of the mid-20th century. It has to change.

Last year, Congress enacted historic legislation to create a new Department of Homeland Security and rearrange our government to be better prepared for potential attacks against our homes, schools and places of work. I feel we should now address the Department of Defense. We are already working with a number of you and with your staffs to help fashion legislation that we can present to you later this year to try to bring the Defense Department into the 21st century and to transform how it moves money, manages people and buys weapons.

We are looking at, among other things, proposals to establish a national security personnel system that would give the Department of Defense greater flexibility in how it handles and manages its civilian personnel.

Today, because that task is difficult, we find frequently we are using military people, people in uniform, for nonmilitary jobs, because we can manage them much more readily. We find we are using contractors rather than civilian employees, again because you can manage a contractor more effectively. A onetime reorganization of the Department with some fast-track approval procedures may be proposed. We hope to establish more flexible rules for the flow of money through the Department, giving us the ability to move somewhat larger sums between programs and priorities so we can respond more quickly to urgent needs.

We would like to establish a two-year budget cycle, so that the hundreds of people who invest time and energy to rebuild major programs every year can be freed up and not be required to do it on an annual basis.

We would like to try to eliminate some of the regulations that make it impossible or unattractive for many small enterprises to do business with the Department: Expand authority for competitive outsourcing so we can get military personnel out of nonmilitary tasks and back into the field; establish more flexible military retirement rules so that those who do want to serve longer have the option to do so. We are consulting with you and other interested Members of Congress on these ideas, and we will work with you to try to reach these goals.

Where we have authority to fix those problems, we are working hard on it, and we have a responsibility to do so. But to get the kind of agility and flexibility that we believe is required in the 21st century security environment, we will need some legislative relief.

As to the budget, last year's budget, the 2003 request, was finalized just as our review process was nearing completion. We were able to begin funding some transforming initiatives as the new defense strategy came into focus. But, it is this year's budget, Mr. Chairman, as you properly said, the 2004 request before you, that is really the first to fully reflect the new defense strategies and the new policies I outlined earlier.

Balancing risk between near and long-term challenges is difficult in peacetime. But today, to best serve our country, we need to really accomplish three difficult challenges at once. We need to successfully fight the Global War on Terror. We need to prepare for near-term threats by making long-delayed investments in readiness, people, modernization, and we have to also prepare for the future by seeing that we make the kinds of investments that—whereby we will be transforming for the 21st century. The 2004 budget request is designed to try to do all three.

Our defense review identified six goals that drive our transformation efforts. First, we have to be able to defend the United States homeland and the bases of operation overseas.

Second, we have to be able to project and sustain forces in distant theaters.

Third, we must be able to deny enemies sanctuary.

And fourth, we have to improve our space capabilities and maintain unhindered access to space.

Fifth, we have to harness our country's advantages in information technology to link up different kinds of U.S. forces and allied forces so that they can fight jointly.

And sixth, we have to be able to protect U.S. information networks from attack and to disable the information networks of adversaries where necessary. The President's budget requests funds for investments that will support each of those categories.

Over the next six years, we have proposed a 30 percent increase in procurement funding and a 65 percent increase in funding for research, development, testing and evaluation above the 2002 baseline budget, a total investment of about \$150 billion annually.

A total investment in transforming military capabilities in the 2004 request is \$24.3 billion, which is about \$240 billion over the future-year defense plan. To prepare for the threats we will face later this decade, the 2004 budget request increases investments in a number of critical areas.

Over the next six years, the President requested 15 percent increases in military personnel accounts, above the 2000 baseline budget. That is an increase in funding for family housing by ten percent over the same period.

Over the next 6 years, we have requested a 20 percent increase in operation and maintenance accounts above the 2002 baseline. We have added \$40 billion for readiness of all of the services and 6 billion for facilities sustainment over the same period. These investments should help us put a stop to the past practice of raiding

the investment accounts to pay the immediate operation and maintenance needs.

This 2004 budget does not, and I repeat does not, include funds for operations in the Global War on Terror. Last year, we requested, but Congress did not approve, the \$10 billion that we knew that we would need for the first months of this fiscal year to fight the Global War on Terror. Because we are still without those funds, every month since October 1st—October, November, December, January and now February—we have had to borrow from other programs to pay the costs of the war. We are robbing Peter to pay Paul.

That does not include the cost of preparations for a possible contingency in Iraq, and the cost of the force flows that have taken place thus far.

This pattern is fundamentally harmful to our ability to manage the Department. In our 2004 request, we increased the shipbuilding budget by \$2.7 billion, making good on our hope last year that we could increase shipbuilding from five to seven ships. We increased the Special Operations budget by \$1.5 billion to pay for equipment lost in the Global War on Terror and for an addition of close to 1,900 personnel.

We increased military and civilian pay by \$3.7 billion. We increased missile defense by \$1.5 billion, including increased funds for research and development (R&D) of promising new technologies and to deploy a small number of interceptors beginning in the year 2004.

The President has asked Congress for a total of \$379.9 billion for fiscal year 2004, a \$15.3 billion increase over last year's budget. It is a large amount of the taxpayers' money. But even with that increase, as large as it is, we still have to make tough choices between competing demands.

So, let me state it out straight. Despite the significant increase in shipbuilding, we did not get the shipbuilding rate up to the desired steady state of ten ships a year. Because of planned retirements of other ships, we will drop below the 300-ship fleet during the course of the future-year Defense plan. The Navy is in the process of transforming, and we have increased shipbuilding in 2004, but we do not want to lock ourselves into a shipbuilding program now, until we know precisely which ships we will want to build in the outyears.

We have not been able to modernize our tactical air forces fast enough to reduce the average age of our aircraft fleet. We have not fully resolved our so-called "high-demand, low-density" problems, systems like J-STARS which, because they have been chronically underfunded in the past, will still be in somewhat short supply in this budget.

We opted not to modernize a number of legacy programs, taking on some near-term risks, as you point out, Mr. Chairman, to fund transforming capabilities that we believe that we will need in this fast-moving world.

We did not achieve the level of growth in science and technology accounts we had hoped for. Our request is for \$10.2 billion, which comes to about 2.69 percent of the 2004 budget, which is below our target of about 3 percent. That is bad news.

But there is good news, as well. In making difficult choices between competing priorities, we believe we made better choices this year because we followed the new approach to balancing risks that we developed in last year's defense review, an approach that takes into account not just the risks in operations and in contingency plans, but also the risks to people, to modernization and to transformation. We believe the result is a more balanced approach, and as a result, a more coherent, total program.

As such, it is a program that can be adversely unbalanced unintentionally unless we are careful and we work together with you, the authorizers, with the appropriators and with the conference committees in this and in the other body as we complete our work.

While we are requesting increased funds, the services have stepped up to the plate and will be canceling, slowing or restructuring a number of programs. In all, the Army, the Department of the Navy and the Air Force have achieved savings of some \$80 billion over the future-year defense plan, money that will be reinvested in the services, in capabilities that we believe and they believe are necessary for the 21st century.

As a result of all of these strategic investments and decisions, we can now see the effects of transforming begin to unfold. Consider just some of the changes that are taking place: Today the missile defense research, development and testing program has been revitalized, and we are on track for a limited land-sea deployment in 2004 and 2005.

Today, we are converting four Trident ballistic missile submarines (SSBN) into conventional guided-missile submarines (SSGN) capable of delivering Special Forces and cruise missiles to denied areas.

Today, we are proposing to build the CVN-21 aircraft carrier in 2007, which will include many of the new—many, but not all, of the new capabilities that were previously scheduled to be introduced only in 2001.

Today, we have seen targeted pay increases and other reforms help to retain midcareer officers and non-commissioned officers (NCOs) so that fewer of them leave the service while still in their prime, and so the country can continue to benefit from their talent and their experience.

We believe these are positive changes that should ensure that future administrations will have the capabilities that they will need to defend our country.

Finally, I believe that the transparency of the process that we have used to develop this budget has been unprecedented. For several months now, the officials of the Department of Defense have been providing detailed briefings to those interested here on Capitol Hill, Members and staff as well, so that Congress is not simply being presented with the budget today, but has been kept in the loop as decisions were being thought through and made.

Our goal was to ensure that Members and staff have every opportunity to better understand the thinking that lies behind these many proposals in this comprehensive budget. I am told that the extent of consultation from the Department to the Congress this year has been unprecedented.

We hope that this spirit of openness and cooperation can continue in the period ahead. We must work together to bring DOD out of the Industrial Age and help get it arranged for the fast-paced security environment of the 21st century.

I close by saying that transformation is not an event. There is no point where the Defense Department will move from being untransformed to transformed. Our goal is to set in motion a process of continuing transformation and a culture that will help to keep the United States several steps ahead of any potential adversaries. To do that, we need not only resources, but equally we need the freedom to use them with speed and agility so that we can respond quickly to the new threats that we will face as this century unfolds.

I feel deeply about the urgency of seeing that we transform the Department and enable it to serve the American people and our friends and allies in a responsible way in the period ahead.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary, for a very full statement. And thank you for your service to the country.

[The prepared statement of Secretary Rumsfeld can be found in the Appendix on page 76.]

The CHAIRMAN. And General Myers, the floor is yours, sir.

STATEMENT OF GEN. RICHARD MYERS, USAF, CHAIRMAN, JOINT CHIEFS OF STAFF

General MYERS. Thank you, Mr. Chairman and Congressman Skelton and other distinguished members of the committee. Thank you for the opportunity to appear before you today to report on the state of the United States Armed Forces.

Mr. Chairman, like the Secretary, I request that my prepared statement be submitted for the record.

The CHAIRMAN. Without objection.

General MYERS. Thank you, sir. I will make some short introductory remarks, then we will be happy to take your questions.

Today, our Nation's Armed Forces remain engaged in a wide variety of missions. Many of those missions are done far from the public eye. This past weekend, however, we witnessed one of those missions end tragically. Three naval officers, two Air Force officers, and their fellow courageous astronauts lost their lives while bringing the shuttle back to Earth. Their example and accomplishment will remain etched in our hearts forever, and I join with Secretary Rumsfeld and Members of the Congress in extending my deepest sympathies to their families.

Around the world our soldiers, sailors, airmen, Marines, Coast Guardsmen carry on their missions. There is no more important task before them than to bring and take the fight to the terrorists. Active duty, Reserve, DOD civilians, together with members of the interagency and our coalition partners form one team in this effort. Our servicemen and women remain a highly effective instrument of national power. And every day this team helps disrupt and capture terrorist cells around the world.

In addition, our combined efforts in Afghanistan have accomplished a great deal over the past year. We have restored hope to the people of Afghanistan, and that nation is on the way to recov-

ery; but there is still much work to be done in Afghanistan, as there is in the war on terrorism.

As the President and the Secretary of Defense have said, this war will last a long time. But let there be no doubt we will win. No matter what tactic they confront, I am convinced that improving our joint warfighting will be central to our future success. So let me just take a minute and share with you what we are doing in that area.

As you look at joint warfighting today and tomorrow, in my view, improving our command and control capabilities is the single most essential investment we can make. Enhanced command and control, combined with intelligence that is rapidly shared among warfighters, will allow our joint commanders to integrate and unite separate service capabilities in a single operation or across a campaign.

In my view, that translates directly to increased efficiencies, but more importantly, increased effectiveness.

To reinforce this potential, the President directed Joint Forces Command to focus on transforming our joint team to meet the challenges of this century.

As a result, this command's efforts included the first major joint field experiment, Millennium Challenge 02. This experiment demonstrated a variety of new concepts and systems that enable critical command and control collaborative information sharing and time-sensitive targeting capabilities. Investing in these capabilities is essential to winning in combat today and in the future. Information, General Franks and U.S. Central Command (CENTCOM) are using concepts, technologies, and capabilities from Millennium Challenge 02 in their current operational planning in case of an Iraq contingency.

One of the positive results from Millennium Challenge 02 is the potential for a joint commander to communicate with his or her forces while en route to a crisis area. Near-term technical solutions will allow our joint team to keep situational awareness on the battlefield while converging from dispersed bases.

Most importantly, they will allow the commander to employ forces without sectors or deconfliction measures, as we have used in the past. Joint Forces Command's efforts in this area will help us ensure that the operational concepts and technical command and control solutions that we develop are, in effect, born joint.

Our emerging command and control, communications, computers, intelligence, surveillance, and requirements capabilities must allow the services to rapidly and repeatedly plug into each others' information networks and then play or operate as one joint team. As such, future weapons systems and delivery platforms must be weighted towards what they bring to the joint war fighting team.

Our approach to improving our command and control networks reflects our larger approach to upgrade our forces in general. We must continue to balance near-term recapitalization modernization with long-term investments to truly transform the force for the future.

In the first case, we are ensuring our joint team is as capable as possible for today's mission. In the second case, we are ensuring we

are relevant to dominate a range of military operations for tomorrow.

With your support, we can ensure our men and women in uniform have the best tools and technologies possible. Investments in hardware are only part of our task to keep the forces ready; to meet these challenges, we must continue to invest in our people and in their skills. Your commitment to improving joint professional military education, will be one way to ensure our warfighters have the intellectual foundation to meet the unknown challenges that we will face. Your support to fund the training and to equip our troops with the most capable systems sends a powerful message of support.

You also demonstrate your commitment by ensuring they have the quality of life that they deserve. In terms of pay, and housing, and medical care, you and the administration have made quality-of-life initiatives a top priority.

Our world-class troops deserve first-class support. You have always been there for them, and on their behalf, I thank you for your continued support.

This past year I have had the opportunity to visit with these brave Americans in every theater. They are committed to protecting our Nation and our interests around the world. I am always struck by their sense of duty and their sense of dedication; their sacrifices and selfless character are an inspiration to all of us.

And I am really proud to serve with them, and it is an honor to represent them every day.

Mr. Chairman, I thank you again for the opportunity to be here today, and look forward to your questions.

The CHAIRMAN. Thank you, General Myers.

[The prepared statement of General Myers can be found in the Appendix on page 89.]

The CHAIRMAN. The gentleman from Missouri, Mr. Skelton.

Mr. SKELTON. Thank you, Mr. Chairman. I have one question.

Mr. Secretary, I have long been concerned, and I know others have, as well, that North Korea might take the opportunity presented by U.S. engagement in Iraq to engage in conflict with American and South Korean forces.

What preparations are being made to cover both areas militarily? North Korea must be left with no doubt of our ability to act simultaneously in both places.

Secretary RUMSFELD. Congressman Skelton, I agree completely with that statement. The situation in North Korea is a dangerous one. The behavior of the North Korean government is, over time, from time to time, threatening. It poses—given its military capabilities, it poses a threat to our forces as well as the South Korean forces and has for decades.

In addition, today, with their nuclear program, they pose a new threat, that of not simply having what is assessed to be at the present time one or two nuclear weapons, but also the threat of developing nuclear terms in a relatively short period of time to make another six to eight weapons, which they then, of course, could sell, as they sell ballistic missile technologies to terrorist states or terrorist organizations.

What we need to do is what we have been doing and doing well over the decades, and that is to work with the South Korean government, and to see that the deterrent—we have the capability to deter and defend in that part of the world.

Our forces are arranged around the world, not in a threatening way, but in a way that demonstrates to the world that we do in fact have the capability of dealing in more than one theater at a time. And we will see that that continues to be the case.

General MYERS. Can I add on to that, Mr. Secretary?

Congressman Skelton, from a pure military point of view, and from the Secretary's point of view, as well, fundamental to our defense strategy is the ability to do more than one thing at a time; and I know you are well aware of that. And so, two major events happening nearly simultaneously is a situation that we plan for.

So it is fundamental to our planning, it is fundamental in our force structure, and I agree with everything the Secretary said. I don't think we should leave any doubt in anybody's mind that the American military is ready for whatever contingency might arise.

Secretary RUMSFELD. The point you make is an important one, because we have to be sensitive. To the point the world thinks the United States is focused on the problems in Iraq, it is conceivable that someone could make a mistake and believe that that is an opportunity for them to make-- to take an action which they otherwise would have avoided, and we have to see that we are arranged, and it is clear to the world that that is—it will not be an opportune time.

The CHAIRMAN. I thank the gentleman. The chairman of the air-land subcommittee, Mr. Weldon.

Mr. WELDON. Thank you, Mr. Chairman. I thank all three of you for coming in today. And thank you for your service to the country. I am not going to talk about the threats that we are facing right now, because I am sure my colleagues will; and I have total and complete confidence in the leadership you have all provided to our services.

I want to talk, however, about the funding shortfall that this committee continues to try to address, working in cooperation with you. Last year, we had \$24.5 billion of unfunded priorities that were given to us by the service chiefs, and we tried our best and did maneuvering as best we could. And I think the final outcome was that we were able to authorize maybe half of that, maybe slightly more than half of that even. All of that didn't get appropriated.

And this has been a pattern that has been continuing for more than a decade. We are continuing to see our shipbuilding accounts, even though they were increased in this year's budget, not be what they should be, our tactical fighters; we don't have enough money to fund the programs coming on line, our helicopter programs and ammunition and a whole host of other activities.

So it behooves us not to just fight for a bigger top-line number which you have given the leadership for this year to follow, but in identifying those areas where we can free up money, where we can save money that could go for these other priorities.

I want to talk about two specific areas where you provided leadership last year, Mr. Secretary, but which we have to renew our efforts this year.

The first is the privatization of our military housing. I know you are interested in this concept, because I have had a number of discussions with you. The private sector organizations in America who do housing for our universities and colleges have said on the record that they could see over a 5-to-10-year period an investment of \$60 to \$80 billion in private money to redo the bulk of our base housing around the country.

That would be no cost to our defense budget, and yet it would be a significant economic stimulus, especially to those municipalities where that construction would take place. And it would also free up money in our military construction (MILCON) budget, so instead of having to apply money into the traditional approach of using MILCON dollars for base housing, we could do it with private sector funding.

Mr. Secretary, the Army, I think, has done a fantastic job in this area, and I want to praise the Army publicly. I would also say, in my opinion, the worst service has been the Air Force in terms of not following through on the privatization. There is no standard process for all of the services; and I would ask you to, number one, when I finish my second part, comment on your privatization priorities for this session of Congress and especially this year. I think it could be a real plus for us in terms of overall resource allocation needs.

The second area deals with the environmental requirements that are imposed in the military. Now, I will take a back seat to no one on environmental legislation and the support of the Clean Water, Clean Air and Endangered Species, and every other major act that we have passed in the Congress. I am proud to be the only Republican on the Migratory Bird Commission.

But we faced a huge battle that, in my opinion, got totally skewed by the more radical environmental groups to somehow portray to the American people that you and we wanted to destroy the environmental laws of this country. I am still getting e-mails; I am sure my colleagues are, as well, saying, "Don't let the Pentagon trample on our fragile environment." I don't want to do that, and I know you don't want to do that.

And the whole battle over the Migratory Bird Act was not to trample on migratory birds, but simply to allow the Pentagon to apply some common sense to allow us to be able to train properly. Anyone that has been out to Camp Pendleton and seen the bulk of our training site for the amphibious training of our Marines and realized that 80 percent of that land area is set aside because of one or more endangered species understands this is not just a problem in training, it is also a cost problem.

So those are two areas where I think we can be especially helpful to you.

Would you please reiterate your position on those, and would you also answer for the record, Mr. Secretary, is it your intent to destroy the environmental laws of this country, and do you support the trampling of the Endangered Species Act as the more liberal wing of the—not the Democratic Party, because a lot of Democrats

are with us on this—of the environmental movement, who have tried to portray our efforts to simply bring some common sense to the way we allow the military to deal with the preservation of the environment, which I think no other agency in the Federal Government has done as much, that is, to preserve the environment, the work being done on our military bases by our military leaders.

Secretary RUMSFELD. Mr. Congressman, I thank you very much. There is no question, but that the Department has been and is now and will be in the future sensitive to the environment. We do everything within reason to try to see that we protect the environment. We do have a great deal of land, and there is no question, but that there are environmental interests and concerns that are perfectly legitimate.

As you know, last year, as you pointed out, we came before the Congress and indicated that we had eight provisions that we needed to assure that we had the proper readiness and range preservation. We got, as I recall, parts of three, and none of the remaining five.

We will be back before you. I hate to put folks through that again, because there is no question there are people who oppose it, but we believe very deeply that the remaining five are important. And we appreciate the support of those who have provided it.

With respect to housing, we are making progress. As I recall, we have gone from something like 180,000 substandard or inadequate units down to something like 100,000 by the end of 2004. In fiscal year 2003, we had \$240 million in family housing privatization that provided for 30,238 units. In the 2004 budget, it is increased to \$346 million for 36,262 new units.

You are right. The Air Force is the one service that, it appears in the current forward-year Defense plan, will not get down to our target during that period of 2004 to 2009.

Dr. ZAKHEIM. It is actually 2004 to 2007. There are four bases that the Air Force will not have completed by 2007. They will be completed inside the United States by 2008. Then there are some overseas facilities that will be completed by 2009. That would bring us to 100 percent.

Secretary RUMSFELD. I have seen some of this housing that is being developed as a result of the privatization effort. It is excellent, there is just no question about it. But the leverage of using private funds is something that is going to enable us to accelerate this process in a very important way.

Dr. ZAKHEIM. If I could add, Mr. Secretary, Mr. Chairman, the leverage is actually about \$8 for every dollar that we invest. In other words, the taxpayer is getting \$8 worth of value for a dollar invested by the government in privatized housing. That means that we are spending upwards of \$2.5 billion equivalent, but actually costing the taxpayer \$350 million, give or take. It is a great deal for the taxpayer.

The CHAIRMAN. I thank the gentleman.

The gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. Mr. Secretary, General Myers, thank you very much for your fine testimony and for your service.

I am curious as to why you didn't include in the budget some item for Afghanistan and some identification of an increment for

the war on terror. We are in our third year of that endeavor, and it would probably help you, from a marketing standpoint, if you could break it out and tell us what it is; and it would be useful to us from an oversight standpoint if we knew what the extra cost was.

Secretary RUMSFELD. Yes, sir. I am happy to respond.

Last year we did that, and the Congress rejected it. This year we said, well, what can we do? So we know that the Global War on Terrorism is going to be going on. It is going to take a good, long time, I am afraid. We knew that last year when we asked for the money and the Congress said, well, you don't know precisely what the money is going to be spent for, when in fact we knew we had to spend it for force protection, we had to spend it for combat air patrols over the United States of America, we had to spend it for Afghanistan. We are using training and equipment in Georgia, in Yemen, and in the Philippines, some various military-to-military relationship activities.

This year what we said was, do we go back up there and try again and have it then be not approved and used for other purposes, which is what is happening to the \$10 billion that some have set aside—thought they set aside for the Department of Defense; or do we just go up and say the facts are we are spending about a billion-five a month, a billion-six for the Global War on Terrorism, excluding Iraq. And we have been doing that, if you average it out, probably out over the October-November-December-January period.

Mr. SPRATT. Do you propose that that come out of what you have allocated here, or do you have in mind a supplemental to fund it later in the year?

Secretary RUMSFELD. Let me just finish the thought.

The second is, we figure we have spent about 2.1 billion already for the Iraq force flow that has taken place that is related to supporting the diplomacy. In each case, as I said in my testimony, they are not in this budget. We are going to have to come to you for a supplemental. The longer it takes to get the supplemental up and to get the supplemental approved, the more we will be pulling money out of other pots to fund the immediate expenses; and then, ultimately, we hope we will get approval for a supplemental.

Mr. SPRATT. So in addition to a potential war in Iraq, there will be, very probably, a supplemental to fund the incremental cost of the operations in Afghanistan, and elsewhere related to the war on terror?

Secretary RUMSFELD. It is not just Afghanistan, it is the Global War on Terror.

Mr. SPRATT. I understand that.

Secretary RUMSFELD. You are correct. We must have that.

Mr. SPRATT. You mention in your budget testimony somewhere that you provided \$7.9 billion for homeland defense next year and 55 over the Future Year Defense Program (FYDP). Can you tell us as much as you can in open session, number one, is that new money or simply reidentification of old money; and number two, what are you doing differently with that sum of money?

Secretary RUMSFELD. Well, we would be happy to. The first thing I should do, I think, is make sure everyone understands that that

number is very soft. There are a lot of ways you can characterize whether or not a dollar spent is or is not involved with homeland security, and it is a very difficult thing.

I believe that number is the result, not of the Department of Defense's formula for what we spend on homeland security, but rather the Office of Management and Budget's formula; is that correct?

Dr. ZAKHEIM. In effect. There are a couple of different categories that OMB uses, as you probably know, Mr. Spratt. One of them is called overseas combating terrorism, that addresses combating terrorism activities—

Mr. SPRATT. Is this new money, a new effort?

Dr. ZAKHEIM. No, this is money in our budget. It is new budget money, but it is identified by OMB as such. These are programs that we are conducting, and therefore, that—it can be construed that way. But as the Secretary pointed out, everything we spend is to defend the United States.

Secretary RUMSFELD. The money we spend all over the globe is designed not to protect the globe as much as it is to protect the United States. So, it is a very difficult thing to do. But in that number would be the—the cost, for example, of the combat air patrols over the United States, the force protection that we have to provide in this country because of the Global War on Terrorism, those types of things.

Secretary RUMSFELD. Those types of things, special operations activities that may involve a ship that comes in to the port and shows an unusual radiation and has to be looked at; all of those types of things that when you add them up come out to that.

Dr. ZAKHEIM. Now let me just clarify it for you. If you are looking at one of those six transformation categories, that is our listing and that would include things like missile defense, so there is a little bit of overlap and perhaps some confusion. And then there is the way OMB categorizes it.

Mr. SPRATT. Thank you.

The CHAIRMAN. I thank the gentleman.

The gentleman who chairs the Subcommittee on Terrorism and Unconventional Threats and Capabilities, Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

Mr. Secretary, I have two questions actually. One has to do with command structure and the other one with force structure. With regard to the command structure question related to special operations forces, in your—in the slide that you provided us on special operations forces, there is a bullet point which reads, add Special Operations Command (SOCOM)—add SOCOM role as a supported combat command. I would like (a) to know your vision as to how that will roll out and manifest itself.

On the force structure question, today in your remarks in your testimony you referred to the Reserves and calling them up in this time of need, and previously I heard you made some public remarks with regard to Reserves and the difficulty in getting them mobilized, and other matters perhaps. And so, while it has been said that in today's world, when we find it necessary to go to war, we can't go very well without the Reserves. And at the same time there is a buzz around the Pentagon and here in Congress that you

may have a new vision for the Reserves. And I would like to ask you if you would share that vision with us today.

Secretary RUMSFELD. Well, first, thank you, Mr. Congressman. First, with respect to the role of the special operators as a supported command, historically they have been in a supporting role, and a combatant commander in an area of responsibility would bring the special operators in to assist that combatant commander in a function; which is basically, for example, what General Franks has been doing in the Central Command in Afghanistan, to the extent the special operators have been involved—which they have, and done a wonderful job.

Because of the global nature of the war on terrorism we have said that (a) we want to increase the size of that capability. We want to replace their equipment and we have put a good deal of money in the budget, to plus-up to see that we do that. And third, we want to migrate them into a situation where they are not only in a supporting role to an area-of-responsibility commander, but they are in a supported role, meaning that they would, in fact, plan and execute an operation and to the extent they needed assistance from other commands, they would receive that assistance and the command would be the supporting command.

We have not executed anything in that regard at the present time. They are being staffed up to do that. We need the funds in this budget to enable them to do that. But as General Myers and all of us looked at the world, it became rather clear that we needed this strength and capability.

Dick.

General MYERS. Yeah. As the Secretary and I looked at this problem along with the other combatant commanders and the service chiefs, with the war on terrorism we have a global problem; but nobody, none of the commands, looked globally at this problem. The one we thought was best suited to do that was Special Operations Command, and so that is the vision. If you give them that task, then you have to reorganize them slightly and change their instruction slightly, as the Secretary explained. But that is the vision.

This is a worldwide threat and it needs to be addressed from somebody looking with a world global view. The regional commands are no less important than they were, but we want one command to look at this as a whole.

Secretary RUMSFELD. With respect to the second question on the Reserves, one of the things that has happened is as we have started these call-ups and we have started to mobilize and deploy people for the various needs around the country, it became rather clear that in some skills the only place those skills are located is in the Guard and Reserve. And so, the question comes up which we are now addressing: Is that really the way we want to be arranged?

If we know that we are likely to be involved in a variety of different things around the world—we currently have Afghanistan, we have got maritime interception operations, we have got training and equipping in Georgia and Yemen, and we have got activities in the Philippines. We have now force flow with respect to Iraq. Ought we not to have on active duty people who have some of those same skills so that 100 percent of a particular skill or need is not in the Guard or Reserve?

Now, the reason I say that as a likely prospect is this: The Guard and Reserve are fantastic and they are serving our country so wonderfully today and they are doing it with high morale and a readiness to serve. But I think to maintain effective Guard and Reserve, we are going to have to be respectful of their employers and we are going to have to be respectful of them. And we need to make sure that we don't continuously call those kinds of people up. And unless we have some of those skills on active duty, we are forced to keep calling them up. That is one of the elements.

There are other thoughts that Dr. David Chu and others in the Department are considering, but we have reached no conclusions about how we might want to adjust the Guard and Reserve at this time; and as we get our thinking together, we obviously would be back in touch with the Congress.

Mr. SAXTON. If I may just conclude, Mr. Secretary, if you would be kind enough to keep us engaged in that process along the way it would be extremely helpful.

Secretary RUMSFELD. Well, we would be happy to do it. And what the—you and your specific responsibilities might want to do is to arrange for kind of a 3 or 3 months' update from David Chu and we can set that up any time you would like.

Mr. SAXTON. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman, Mr. Secretary and General Myers.

Mr. Secretary, I am obviously pleased that you have decided to increase the shipbuilding budget. But I have got to admit some concern. Last year when Admiral Clark came and spoke to us, he said that the fleet should be a minimum of 375 ships. By your estimate we will go to a fleet of 301 ships. And considering a 30-year life span of those seven ships that you will put in the budget this year, you are looking then at a fleet of 210 if you continue this legacy. I don't think it gets us there.

I don't think the world has shrunk any. I don't think it is going to be easier for us to have basing on other people's soil. I think it is going to be more difficult for us to do so. I think the way to make up for that is with the sea-based platform. I am just curious. At what point do you intend to turn that around? Because 2009 seems a heck of a long ways away.

The other thing I would like to point out, General Myers, I noticed in your testimony you mentioned the Cano Limon pipeline. Just a minute ago I heard the Secretary say that every dollar in the defense budget goes to protect Americans. I have got a little trouble—no, I have got a lot of trouble spending 96 million American taxpayer dollars protecting a pipeline that is owned by Occidental Petroleum through which Colombian National Oil Company oil flows, both of which had record profits last year, and now with some recent changes being protected by approximately 200 members of the United States special forces. Given what you just said, I would like a better explanation of how that somehow is in America's interest, given that it seems a very small percentage of that oil ends up in American refineries.

Secretary RUMSFELD. With respect to the shipbuilding portion of the question, you are right. The number of ships is going to dip down to a low of 291 in '06 and be above where we are today by '09. And but one should look at a couple of things. First, the Secretary of the Navy reported to Congress that the risk associated with those lower numbers of surface combatants is acceptable because the ships that are replacing the ones that are being retired are more capable ships. So if one looks not simply at numbers, but at capabilities and lethality, I think he is correct, the Chief of Naval Operations.

Second, we are—I forget where we are in this work that is being done by the Navy and by others in terms of determining the kinds of ships that are appropriate. But you are absolutely right. Basing access is going to be less attractive over the decades, I would assume, rather than more attractive, and clearly having those platforms is critically important. And the question is: How might they be used? And I know the Secretary of the Navy and the acting Secretary and the Chief of Naval Operations will be up here to talk about that with you.

But, I mean, at the moment, anticipating a major naval battle in the world is a hard thing to do. We need our Navy, as you said, for—to dissuade anyone from thinking they could develop a navy that could compete with ours. We need it to provide access across the globe. And we need it, as you suggest, because there will be difficulties in finding ground-based platforms in some cases. We are in the process of fashioning what is required, but I would—the only thing I would say is—we are anxious to get that number up and we are anxious to reduce the age of the fleet, and we will be coming back to the Congress with proposals to do that. But I think it is important to look at the capability of the fleet as well as just numbers. Do you want to comment?

Dr. ZAKHEIM. Certainly. Mr. Taylor, first of all, as you know, last year you were very concerned as well about the numbers, and the Secretary said we would get those numbers up, and we did. And what is significant about this plan is that it never drops below seven. That is not a trivial matter considering where we were not too long ago.

Second of all, the jump in the numbers is actually probably a lot more realistic than you might think, simply because that is related to the new ship we are developing, the Littoral Combat Ship which is geared to the kinds of missions the Secretary was talking about: New missions for the 21st century against mining warfare units, against diesel submarines and other such. These are going to be less expensive ships. We can buy more of them. There were four of them in '09 and we start in '05. So, this is a program that will be starting and will be ramping up and there is R&D money for it today.

And then there are the studies the Secretary mentioned, looking at our various capabilities both in terms of forcible entry capabilities and undersea capabilities that we are just starting up and that will give better definition to the kind of forces we are going to need in the future years.

Secretary RUMSFELD. Do you want to answer the pipeline?

General MYERS. You bet. Yes, Congressman Taylor. I think the last part of your question was what is in America's interest in Colombia that would dictate this sort of effort?

Mr. TAYLOR. If I recall, General, the statement was made that every dollar in this defense budget goes for America's defense.

General MYERS. You bet.

Mr. TAYLOR. I would like you to tell me how that 96 million, plus the expenses of having approximately 200 special forces down there—

General MYERS. Clearly we have a plan to help train and in some cases equip Colombian forces, and the reason that is important is because Colombia's democracy is under threat and it is under threat from insurgents. It turns out that these terrorists or insurgents are also connected to drugs, which is a powerful nexus if you think about terrorist drug money and the ability to do harm in the world.

So, I think there are a couple of reasons it is important to American security. First of all, Colombia is a democracy, but it is under threat. And President Uribe has a very aggressive strategy to deal with that. It is a strategy that we as the United States helped him develop, and we are committed, I think, in terms of the military, to help train and equip his forces to deal with that insurgency.

And then second, as it relates to the drug piece of this, and drug money funneling into terrorist organizations, I think that is important to our security, as well. And it is not just Colombia. It is the whole Andean region or, for that matter, could probably have some effect if Colombia were to—the democracy there were to fail for some reason or the country were to fail, it would have a dramatic impact on the countries in the surrounding region, perhaps all of the continent. And so for that reason I think it is very important to our security.

Mr. TAYLOR. General, I hope we can have—my time is up. I hope we can have this discussion at some other time. I would remind you that we have already committed over a billion to the war on drugs in Colombia, a separate line item.

General MYERS. Yes, sir. Be happy to do that, sir.

The CHAIRMAN. I thank the gentleman. The gentleman who chairs the Subcommittee on the Total Force, Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman. Gentlemen let me begin by saying, as my other colleagues did, how much we all appreciate your service and particularly your leadership in what we recognize are very difficult times. As the Chairman said in his opening statement, many of us are very, very pleased, if not thrilled, with the new choices we have to make, choices that at least are heading us in the right direction and a reversal of where we found ourselves in terms of military budgeting and military strategy in the not so distant past, and it is a pleasant change indeed.

And certainly, one of the things as I sat here and listened to the comment of my colleagues and the comments that you made, that you have difficult choices in every budget, and I think clearly we would all like to see the opportunity to do more in every category and I am sure you would as well.

But with respect to the subcommittee duties I have, I did want to follow through on a point that my next-door seat mate and my friend from New Jersey brought up, and that is the issue of Guard and Reserve, but I would like to take it to a somewhat broader context.

You heard Mr. Skelton, and I know you understand others amongst us are very concerned about the overall question of end strength. Do we have sufficient men and women in uniform in both the active and the Guard and Reserve to sensibly and humanely, in terms of their lives, carry forward with all that we are asking them to take up and all that we are likely to ask them to take up? And, Mr. Secretary, I know you have got a net zero policy in place with respect to end strength levels. Pardon me. I know, as well as you have mentioned, you currently are undergoing a reevaluation of the distribution of job categories between the active and the Guard and Reserve components and, as well, are very—I think, rightfully, studying the issue of moving nonessential military jobs away from military people so that those kinds of jobs could be filled by others, and the military people would be freed up to do the work of regular military. And I think that is a very sensible thing.

What does concern me, however, is that in the meantime, we are still held at an end strength number that I question is sufficient and sustainable. A number of my colleagues and I visited Guard and Reserve troops over the ten-day period just last week throughout the European Theater at Ramstein, Sigonella, Naples, Vicenza, and to a person, every one of these Guard and Reserve individuals were questioning their willingness to re-up and were questioning the sustainability of the call-ups that they had all experienced. Every single one, multiple call-ups in the past several years. And by the way, these were all volunteers.

So if you look at that kind of pressure, if you look at the numbers of deployments that are occurring in the active Guard and Reserve, or active components, and the likelihood of continued conflict and continued projects and assignments, I am just wondering where you are in terms of these reviews. How long do you think until you have come, Mr. Secretary, to a final determination on sufficient end strength? And, perhaps equally important, at least in my mind, what kind of factors do you think would justify a permanent request for end strength increase?

Secretary RUMSFELD. Well, Mr. Congressman, I do not know the date that these studies will be completed, but I do know that we have been looking at, as you suggested, a variety of ways of relieving pressure. One is to use the flexibility—one is to go to volunteers as opposed to call-ups, and we have gotten an enormous number of volunteers. It has just been very heartening and they are pleased to do it and proud to do it, and their morale is very high. Everywhere I have gone, their morale is very high.

We are moving people, military people, out of jobs that should be done by civilians and we will come back and ask for an end strength increase at any moment that we believe it is in the interest of the Armed Forces. At the present time, we do not have evidence that suggests that is the case. It is very difficult to know, for example, were the President to decide that we have to use force in Iraq, how long those call-ups would last. It is not possible to know.

It is not possible to know if that is going to take four days or four weeks or four months. It isn't going to take four years. If force has to be used, it will be a—in the shorter distances rather than the longer time frames.

Now, we are pulling people down also from other activities. We are reducing the size of the force in the Sinai. We are reducing the sizes of our forces in Bosnia and Kosovo on a fairly steady basis. We are looking at other places around the world. We are in the process of reviewing our forces and how they are deployed all over because, as you all know, it is a three-to-one rotation problem. And to the extent we can have somebody located at home, it is not a three-to-one problem. My view is that the taxpayers are paying all this money for the Department of Defense so that it can be used if it needs to defend our country. And a call-up is a perfectly acceptable thing.

We believe in the total force concept, and the people who have been called up have agreed with that and been proud to do it. We are meeting our end strength. We have improved ourselves on retention, and we have not seen any erosion in the Guard and Reserve. And to keep that situation, we are going to have to continue to be respectful of them and the difficulties that can be imposed if it goes too far, and we are watching that.

Mr. MCHUGH. Thank you. If I may, Mr. Secretary, I too have talked to these people and I couldn't agree with you more about their sense of commitment and their effectiveness. We did ask the commanding officers to leave the room and, with all due respect, I think maybe when the Secretary of Defense is talking to them, they may not be as forthcoming with some of their concerns as they are in a different setting. I commend you for your vigilance and I certainly want to urge you to continue to watch, because I am very concerned that it is going to start to show those erosional effects. But we need to work together on that, and I promise you we will.

Secretary RUMSFELD. Can I just add one comment?

Mr. MCHUGH. Sure.

Secretary RUMSFELD. When I have seen a morale problem, it isn't because they were called up; it is because they aren't being effectively used or properly used.

Mr. MCHUGH. That is true.

Secretary RUMSFELD. And what General Myers and General Pace and I have found is that our call-up process, the alerting, the mobilizing, and the deploying is crude; and we are in the process of learning lessons from what has been going on, and we are going to find a much better way to see that the threads of all of these ways of doing it are much better and much more respectful of the people that are being called up.

Mr. MCHUGH. Well, you are absolutely right.

General MYERS. It really is. This is an Industrial Age process that we have not taken to the Information Technology Age, and I think I can guarantee you within a very short period of time we are going to try to turn that around.

I just want to mention one other thing in addition, because I talk to them, too. And every crowd I address, no matter where I am in the world, I say, okay, all the reservists here, Guard and Reserves, hold up your hand. And, you know, sometimes it is a half to a third

of the audience. And the one thing that they always ask when I ask them what can we do to help your situation is they want predictability in their lives. With predictability, they can do, and they are willing to do, almost anything; and they can, you know, get situated with their employers, they can get situated with their families and so forth. And we are working very hard. That is high on the Secretary's agenda. It is high on the service chiefs' agenda, and the joint chiefs, to try to provide as much predictability. We are not perfect in this because of some of these Industrial Age tools we have to work with, but that is certainly our goal.

Mr. MCHUGH. I appreciate that and I know you gentlemen are deeply concerned. I hope nothing I have said would suggest otherwise. And the bottom line, as I said, if I may, Mr. Chairman, we certainly want to work with you in that effort. It is a very important one. I know you share that objective. Thank you both.

The CHAIRMAN. Thank the gentleman. The gentleman from Hawaii, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman.

If I can follow up, Mr. Secretary, with the question that Mr. McHugh just spoke of, I don't think the issue here is morale or whether or not the motivation is at point. The question here is the expectation of deployment and the impact that that will have on the question of end strength and the commitment that can be expected by those who have been called up.

I have heard numbers, seen numbers, I haven't done the addition myself specifically, but 60-plus areas in which there is some kind of deployment. There are obviously three or four in which that is major, from Colombia to the Philippines to Afghanistan, et cetera, and possibly Iraq if that unfortunately moves ahead.

So the question here is, what are you expecting to have to put together in terms of budget numbers for deployments in the next year? What are you expecting to have to require of those who have been called up in terms of stop loss and extension of tours in terms of length? Has there been any consideration given to the civilian side of that; for example, police officers being called up, and for extended terms, firefighters et cetera, all in the context of end strength?

I don't doubt for a moment what you just stated with respect to the degree of morale being exhibited, degree and depth of commitment, and that should they be needed in the future you would be willing to do that. But surely you are trying to look forward in that and have some estimations that you can give us. I am not going to hold you to a hard and fast number, but I think it is legitimate for this committee when it is giving budget authorization consideration to take those questions into account.

Secretary RUMSFELD. Congressman Abercrombie, there is no question but that—you mentioned stop losses; that when people are asked to come on for a period, come on for that period, and then a stop loss is imposed and they are not able to end the period when they planned, that that is unfortunate and we ought to do all we can to see that we bring people on for the proper amount of time and see if we can't do a better job of predicting in the future.

The problem of repeat call-ups is a particularly difficult one, as well. I think people can understand a single call-up, but when they

are called up and then get off, and then in a relatively short period of time are called back, that is a bit much. And what we have to do is to complete this work that I mentioned earlier to see if we can't make sure we have got on active duty people who expect to be on active duty with the skills that in some cases are only in the Reserves, because the people that I—

Mr. ABERCROMBIE. I understand. Excuse me, Mr. Secretary, just because my time is limited and I appreciate that answer. May I say to you that this question is going to arise before we come to our conclusion on authorization again, and my suggestion is that the Department and perhaps General Myers, both, and to you, we need to have more of a definitive idea from you about expectation of costs associated with deployments and the possibility of end strength changes before we finish this budget. And I expect a proper subcommittee will take that up, okay?

Secretary RUMSFELD. Yes, sir. We have cost estimates right now that we can provide the subcommittee with respect to current deployments. That is not a difficulty at all.

[The information referred to can be found in the Appendix beginning on page 113.]

Mr. ABERCROMBIE. Okay. And then we can take the end strength question. The second thing I wanted to get to—well, two more things. I will try to go quickly. And you can give a short answer because, you know—can you tell me how much you are putting forward for the Northern Command? I haven't been able to find it yet. I know this is a question from me that is just totally unexpected.

Dr. ZAKHEIM. We will get that for you for the record. We do have a number.

[The information referred to can be found in the Appendix beginning on page 113.]

Mr. ABERCROMBIE. Okay. Thank you very much. And you were able to staff that Northern Command with people from the other commands, right? And you still maintain that they weren't overstaffed. That is okay. I just said that for an opportunity to put the boot in a little.

And the last thing, the last question that I have has to do with the draft. Now, I know what your views are with respect to that. But should we come to a question in this committee with regard to end strength and with regard to the expected deployments necessary to meet a threat to the United States, are you prepared to say now that you are unalterably opposed to the idea of national service or draft? And second, or concomitantly with that question, would you comment on the idea of having women register for selective service inasmuch as women are now an integral part of the armed services of the United States—as differentiated from a draft, per se.

Secretary RUMSFELD. First—

Mr. ABERCROMBIE. As you—so the context is there, you probably know, or if you don't, I want to say for the record, I am a strong supporter of selective service. I think everybody ought to register at 18. And I think when I say everybody, I mean everybody, men and women. And I would like to know if you have a view on that and then the question about the draft.

Secretary RUMSFELD [continuing]. Number one, I personally believe that the registration system is a good one. The administration has no proposals for altering it at the present time.

With respect to national service, it is something that is outside of the sphere of the Department of Defense, and there are certainly arguments pro and con on that, but they are not Defense Department positions.

Mr. ABERCROMBIE. If it is outside the sphere, would you rely on our judgment then?

Secretary RUMSFELD. I think that you would find other committees of Congress would have a voice in that.

Mr. ABERCROMBIE. Thank you very much.

Secretary RUMSFELD. With respect to the draft, as you said, you know my views. And this country does not need a compulsory system to bring men and women into the service at the present time, in my view.

Mr. ABERCROMBIE. Thank you very much.

Secretary RUMSFELD. Thank you, sir.

The CHAIRMAN. I thank the gentleman. The gentleman who chairs the Subcommittee on Readiness and Military Construction, Mr. Hefley.

Mr. HEFLEY. Thank you, Mr. Chairman. And we appreciate you all being here today. This last week and weekend I had the opportunity to take some North Atlantic Treaty Organization (NATO) parliamentarians out to Fort Irwin and also to—here we are, to Nellis Air Force Base. And I think they all came away with the same impression that I did, and that was that I wouldn't ever want to take on the American military, not just because we have—we are ahead of almost everybody—ahead of everybody in a technological standpoint, but because also the training is just amazing. And you are to be commended on that.

One of the things I got to do out there—and Mr. Gibbons was with me when I did that—the Americans that were with the delegation got to see the FA-22 and it looks like a wonderful piece of equipment. But I was looking out on the flight line and here are all these F-15s—which is a wonderful fighter plane—sitting there, and they are 30 years old. And when we are struggling with the budget and to do everything we can with what we have, the question that arose in my mind is do we need the FA-22? Or could we have opened the lines on an F-15 type thing, because I think that is superior to most anything anyone else has for air-to-air combat at least. Is the reason we need the FA-22, is that because the radar and the ground defenses have gotten so much better that we need the stealthiness?

And second, are you looking at all at programs like the V-22, which have had enormous problems, and I know the Marine Corps really wants that—still wants that. But is there any point where on a program like that, we just cut our losses and say, you know, we just can't afford to go on with the development of something like this? Or do you have other programs that you think—that you are suggesting we cut in order to put the money somewhere else?

Secretary RUMSFELD. Congressman, the—you mentioned, I believe, the V-22, as well, there. And that has been a troubled program, as you know. The Marines and the special operators and oth-

ers believe that if it can be made to be safe and operate successfully, that it will bring considerable value to our warfighting capabilities. It is in a period of being tested and examined. In the event that it proves not to be a successful test, why, it obviously would be terminated. To the extent it proves successful, everyone is persuaded that it brings value and we would intend to go forward. I have forgotten when the——

Dr. ZAKHEIM. May.

Secretary RUMSFELD. I think it is sometime this spring or summer.

Dr. ZAKHEIM. May.

Secretary RUMSFELD. May, Dov thinks that it is going to have another period of examination. With respect to the FA-22, there is no question but that you are right; that the stealth, the speed, offers capabilities not just for air-to-air but for air-to-ground, which are important.

Dick Myers, you might want to comment on it.

General MYERS. Yes. Congressman Hefley, the FA-22, primarily air superiority fighter to replace the F-15 with ground attack capability like the F-15 eventually developed. The F-15 fleet is a good fleet but it is—as you mentioned, it is an old fleet. Early in this program, and I think on more than one occasion, we have looked at alternatives to the FA-22, such as taking the F-15 and totally modifying it. When you do that, you get a capability less than the FA-22 at about the same cost, because it would be expensive.

As you remember last year, we lost an F-15, I think it was in the Gulf of Mexico. It came apart much like the shuttle Colombia did. It disintegrated at supersonic speeds because of structural failure, because some of the structural components exposed to corrosion over time failed. It is not—the F-15 is not the world's greatest air support machine today. There are others that are superior to it. What makes it superior, of course, are those folks that fly it, the men and women that fly it and that maintain it. So it is a system that is losing its edge. And the FA-22 brings to the fight, as the Secretary says, the ability to get into potential conflict early, because it has the stealth, the maneuverability, and the supercruise that makes the newer ground threats and air threats a lot less hostile. And it can take those on.

And so I think it is—the whole notion is that you would buy some limited number of these. This would be back to the concept of the high/low mix. You would have some few very expensive airplanes and then more less expensive airplanes, and that is how the mix is going, and the FA-22 would be at the high end.

Mr. HEFLEY. Thank you very much.

The CHAIRMAN. Thank the gentleman. The gentleman from Massachusetts, Mr. Meehan.

Mr. MEEHAN. Thank you. And I join my colleagues in thanking Secretary Rumsfeld and General Myers for your service to this country at this critical time.

Mr. Secretary, in 1998, as a member of the Project for the New American Century, you sent a letter to then-President Clinton, calling for regime change in Iraq through military means if necessary. And I would like to read a portion of that letter.

"We believe that the United States has the authority under existing U.S. resolutions to take the necessary steps, including military steps, to protect our vital interests in the Gulf. In any case, American policy cannot continue to be crippled by a misguided insistence on unanimity in the U.S. Security Council."

Do you believe that working through the United Nations Security Council with regard to disarming Iraq is a misguided and crippling policy?

Secretary RUMSFELD. No. I support the President's decision to go through the United Nations.

Mr. MEEHAN. The——

Secretary RUMSFELD. I would add, however, that in life it is rare when one gets unanimity. It seems that almost anything anyone proposes, somebody is not going to like. And so I think the process of going to the United Nations is a useful thing, has been a useful thing. But I think that we probably ought not to expect that in life that we are going to get unanimity.

Mr. MEEHAN. Sure. Mr. Secretary, today in the Washington Post it highlighted the fact that Saddam Hussein has armed anywhere between 1 and 8 million civilians with semiautomatic rifles, rocket launchers and other military weapons. This militia appears to be designed to fight in cities and towns, street by street. What is being done now to ensure that if we go to war with Iraq, that these civilians will not take arms against our troops; and assuming for a moment that our troops do have to militarily engage armed civilians in the streets of Baghdad, are there any plans currently to use non-lethal technologies to kind of disarm and disperse?

Secretary RUMSFELD. Congressman, you are right. There are reports that that is what Saddam Hussein said. That does not make it so. He announced to the world that everything Colin Powell was going to say was a lie before he even knew what he was going to say. He announced that the pictures that were going to be shown were doctored, which is false. He lies just about on every single thing he says. And believing him would be a big mistake.

I do not know whether or not he has done what he said he is doing. General Franks has a plan that addresses a host of very unpleasant contingencies, and there are a lot of things like that that can go wrong, that can be unpleasant, that can make the task much more complex.

With respect to the use of nonlethal riot agents, I regret to say that we are in a very difficult situation. There is a treaty that the United States signed, and there are existing requirements that, without getting into details, require—well, let me put it this way. Absent a Presidential waiver, in many instances our forces are allowed to shoot somebody and kill them, but they are not allowed to use a nonlethal riot control agent under the law. It is a very awkward situation. There are times when the use of nonlethal riot agents is perfectly appropriate, when transporting dangerous people in a confined space; in an airplane, for example; when there are enemy troops, for example, in a cave in Afghanistan, and you know that there are women and children in there with them and they are firing out at you, and you have the task of getting at them, and you would prefer to get at them without also getting at women and children, and noncombatants as you point out.

The difficulty of writing a rule of engagement so that a soldier, a single human being, a private, a sergeant, knows what to do in that enormously complex—is he going to break the law or not? And we have tangled ourselves up so badly in this issue—Dick Myers and I spent this week, if I am not mistaken, probably an hour, an hour and a half, trying to fashion rules of engagement that would be simple enough so that people who have the task on the front line in a few instances, in a second or two, can make a decision what they can do and what they can't do. And it is very complex, and it is unfortunate in my humble opinion.

Mr. MEEHAN. Is there any way, Mr. Secretary, we can untangle this I guess within the next month or so?

Secretary RUMSFELD. We are doing our best to live within the straitjacket that has been imposed on us on this subject, and trying to find ways that people can—that we can write things in a way that people can understand them and function and not break the law and still, in certain instances, be able to use nonlethal riot agents.

Do you want to—is that roughly right?

General MYERS. I think that is roughly right. And then I think to get to the question about combatants and noncombatants, if people take up arms and become combatants then they are subject to the laws of armed conflict. And on the other hand, if they are non-combatants, if the regime were to use civilians as human shields and so forth, a different matter, and you would have to address that differently. And I think we ought to keep that in mind. If they pick up arms and become combatants, then they are combatants and they will be treated as such.

Human shields, General Franks has thought, tried to think through that very hard, and has worked very diligently with the ground forces and the air forces and those involved to think about ways to handle those situations where you have minimum impact on noncombatants. That is always the goal.

And I think the other thing is that the people of Iraq, my belief is, from the information I am getting, prefer—will not fight in this way; that the average person will not fight, because they will see this for what it is—and that is to get whatever regime that makes food distribution a problem and a reward in some cases, that prevents medical care across the population in general, and that treats minority pieces of the population in ways that are not right—and I think they will see it in that way.

And certainly we have been trying to advertise if conflict is called for, that will be the goal. And hopefully those people that will be tempted to pick up arms will say we are not going to do that.

Mr. MEEHAN. Thank you, General. Thank you, Mr. Secretary.

The CHAIRMAN. I thank the gentleman. The gentleman who is the Chairman on Projection Forces, Mr. Bartlett.

Mr. BARTLETT. Thank you. Thank you very much for your testimony, gentlemen.

Mr. Secretary, I have two questions totally unrelated. The first one deals with the necessity of looking everywhere we spend money to see if it is wisely spent. So I want to talk for just a moment about our efforts in the drug program. I understand we spend roughly about \$2½ billion a year on eradication and interdiction.

And we destroy a lot of drugs and we interdict a lot of drugs. But in spite of that, there is no shortage of drugs to meet the demand. And I suspect, sir, that if we tripled the amount of money that we spend on eradication and interdiction that there would still be enough drugs on the street to meet the demand. Don't you think it is time that we reevaluate our approach to that problem?

Second, after 9/11 there was a great wave of patriotism that swept the country and a recognition that gee, even after the Cold War we still do need a military. So there has now been widespread support for increased funding for the military, and we have had some increased funding. But my question is, sir, what kind of confidence do you have that at the end of the day, we will in fact be better off than we were before 9/11?

I am concerned, sir, that even with the increased funding, that we are now spending money in places like Bosnia and Afghanistan and in Iraq and in North Korea and the Global War on Terrorism. And I am concerned that the additional monies we are giving you may not even be enough money to carry on those operations, so that at the end of the day we may be worse off in the military than we were before. Would you comment on that, sir?

Secretary RUMSFELD. First, Mr. Congressman, with respect to the problem of drugs, it is a very difficult problem for the world, for our country. You are quite right that demand is so powerful that despite a lot of effort to deal with the supply part of it, there have been times when it simply has moved the problem from one place to another; and with a lot of effort going into dealing with the supply side, we still see the demand there and the usage go up. So in my view it is the kind of a problem that needs to be tackled from all directions, and it is—really the bulk of the antidrug money is not spent in the Department of Defense. It is spent by, in the case of Colombia, for example, the Department of State, and then in various other agencies.

General Myers made an important point earlier. There is an intersection between narcotrafficking, hostage-taking, and terrorists. And revolutionaries. And it is hard sometimes to say, well, we are concerned about the terrorists but we are not concerned about the money that they may be getting through hostage taking or through narcotics and what have you. So I think that it is hard to put them into separate little compartments.

The second question you asked is a tough one. In this world of ours, one could make a case that what we are doing is exactly the right thing. We are using all elements of national power, we are using a 90-nation coalition, we are putting pressure on terrorists, terrorist networks, states that harbor terrorists, and states—terrorist states that have weapons of mass destruction. And it is having an effect. There is no question. We can see the chatter. We know the difficulty they are having in transferring money, the difficulty they are having in moving between countries and buying capabilities. In executing terrorist acts we see things that are stopped. We are getting much better intelligence information.

The question comes, are we doing a good enough job in terms of education, in terms of persuading young people that they ought not to go to a Madrasa school that teaches terrorism? They ought to go to a Madrasa school that teaches mathematics and things that

they can actually use in life. And trying to judge if there are more terrorists being created than are being inhibited or killed or captured or detained, there is no one on the face of the Earth who can answer that question. All I can say is I think that to have put together an 80-nation coalition to work on this problem, and to bring all elements of national power together and each day do a better job of fusing that information and effectively putting pressure on them, is what we know we have to do.

What, in my view, we are not doing as well as we must do eventually is to find ways to provide assistance to countries that want to see that the circumstances in their countries are changed so that fewer people become terrorists in the first instance. A religion is being hijacked by a small minority of people. And the bulk of the people in that religion are against terrorism. And they, as well as we, are going to have to do a better job of seeing that that minority of that religion is reduced to next to nothing over time.

Mr. BARTLETT. Are we giving you enough money to do all of these very essential things and to transform the military? Or at the end of the day, will you have taken money from these other pots to carry on these very essential activities so that the military will not be in any better shape than it was at 9/11?

Secretary RUMSFELD. We believe we have put forward a very good, responsible budget. We believe it has a proper balance between taking care of the wonderful men and women in uniform, seeing that we modernize those things we need to modernize, seeing that we invest in transformation, and seeing that we simultaneously address those risks in terms of operational capabilities. We have spent a lot of time on it. We think it is a good budget. We are going to have to come in for a lot more money in a supplemental, and let there be no doubt about it.

Mr. BARTLETT. If we don't fund the supplementals, then our readiness will be at risk.

Secretary RUMSFELD. Oh, yes. We are already pulling the money out of the pots at a clip of about a billion five or a billion six just for the Global War on Terrorism.

Mr. BARTLETT. Thank you.

The CHAIRMAN. Thank the gentleman.

The distinguished gentleman from Texas, a great Border Patrol chief and a pretty good helicopter crew chief, Silvestre Reyes.

Mr. REYES. Thank you, Mr. Chairman. I appreciate the opportunity. And, gentlemen, thank you for joining us here this afternoon.

Mr. Secretary, I have got several things that I want to ask questions on but I know in five minutes I won't be able to get them in. But one of the things that I am concerned about is the DOD's plans to contract out hundreds and possibly thousands of civilian—

Secretary RUMSFELD. I am sorry, I can't hear you.

Mr. REYES. The concern that I have about the Department of Defense plan to contract out thousands of civilian jobs. And I was interested in getting your perspective, since you feel that we are, by allowing our military people that are in their forties and fifties to retire, that we are losing all of that experience at the optimum point in their career. I would submit to you, Mr. Secretary, that we are doing that right now by contracting out. We are losing institu-

tional experience and knowledge. We are allowing our best trained, most knowledgeable civilian workers to leave, and, in some cases, conceivably it could come back to haunt us in terms of a national emergency. What kind of value-added or best-value system would you envision we would have to have in order to maintain a workable civilian work force?

Secretary RUMSFELD. There are things, for example, that we are doing currently, like making eyeglasses, which could hardly be considered a core competency of the Department of Defense. Cleaning floors in buildings is hardly a core competence of the Department of Defense. What we are trying to do is to look at the things we are currently doing and look at how technologies have changed and see if we can't move out of the Department completely things that are not necessarily activities that the Department has a need to consider as a core competence.

Mr. REYES. But, Mr. Secretary, those kind of jobs have been gone long ago. We are talking now—

Secretary RUMSFELD. I wish that were true. They haven't. We are still doing a lot of those things.

Second, the reason that the Department has over time continued to put more military people into nonmilitary jobs and more contractors into civilian employee jobs is because of the difficulty of managing the civilian defense employee base. And it is just a reality. People are—you know, they are intelligent. They look at their circumstance and say, I have got a choice. I have got three choices. I have got a task to do. I could put a military person in there who I can bring him in, he can go to something else later. I can bring in a contractor and I can let him go anytime I want if that need changes, or I can bring in a civilian and have the difficulty. So we need to fix that system so it works better.

In terms of the Department of Defense, the goal is to be more efficient and cost less through the use of competitions. And the Office of Management and Budget directs that commercial activities be competed between the government and the private sector and only inherently governmental functions should be exempt from that, according to the Department.

Dr. ZAKHEIM. Could I just add, sir, that my friend John Hanley, when he was Deputy Secretary of Defense, pointed out—and it is still true—that whenever we have one of these competitions, it doesn't matter who wins, the price is at least 20 percent lower; which means that when the government itself bids, somehow miraculously the price—and that is to say the cost to the taxpayer—comes down. And the real issue isn't who gets it. The real issue is how much does the taxpayer save.

Mr. REYES. Yeah, but the problem is in reality when you contract something out and you initially save money, there is no system to come back and maintain that price structure. So we have seen, time after time, the effort to contracting out becomes even more expensive a few years down the road, plus it—and I have seen this myself in my previous career; that you have added charges, surcharges by the contractor if it is going to be after hours, if it is going to be on weekends, if it is an emergency. I am just saying I do not believe that because you have got a civilian, you have got somebody that is a problem for our installations. We have done

very well throughout the history of the military by employing dedicated, hardworking, committed civilians, and we are now chucking them out the door, trying to say that we are saving money and trying to say that we have got to find a quote-unquote better way or a streamlined way, without paying attention to what you said, Mr. Secretary, that we are turning these people out in their forties and fifties, at the optimum time of experience and value to the military installations. I see that happening in the installations in my district.

Secretary RUMSFELD. Well, Congressman, you are absolutely right. We have a wonderful group of civilian employees in the Department of Defense. We have people who are dedicated and talented and hardworking. What we have got to do is to find a way to see that we get the right balance.

For example, today—and we are going to be coming and we would be happy to work with you on how we can refashion some of these rules—but at the present time, if we go to a college job fair where young people coming out of college, smart, computer technology people, and they want a job, and so we go and interview along with private enterprise, well, what happens? Private enterprise says, “By golly, you are better at this than people who maybe have been doing it for 20 years because you are just coming right out with an M.A. or a master’s or a Ph.D. in computer science. We would like to hire you.” and the seniority issue isn’t really relevant.

By the same token, we can’t offer them a job. We have to hand them a form and say, gee, figure this out, fill it out, then you can compete with the top three, and months and months and months go by, because they are dealing with the United States Government and that is the way the United States Government works. And the company walks up and says you are hired. And we don’t get them.

Now, if we don’t fix these rules, we are in trouble because we are not going to be able to attract and retain the best people. And we would be happy to work with you about how we can do that.

Mr. REYES. Well, Mr. Secretary, if I can, the problem is young people aren’t going to want to come to work for the government because they see the older people getting thrown out as younger, more agile employees are coming in. I don’t see that as—

Secretary RUMSFELD. I don’t see older people being thrown out in the civilians.

Mr. REYES. Well, the people in their forties and fifties that are being replaced by contracts and companies—

Secretary RUMSFELD. Oh, I see. If it is competed and they lose the contract. I see your point.

Mr. REYES. I mean, why would a young person want to go to work for an organization, knowing at some point he or she is going to suffer the same fate?

Secretary RUMSFELD. Well, there is no way to track it perfectly, but very frequently when there is competition and the contractor wins over the government, the people transfer over there and perform it for them, and that happens quite often as you know. So there are a lot fewer people who lose their job, so to speak, in that environment than I think the impression might be. I can’t guarantee that, but I know that that occurs in some instances.

Mr. REYES. Well, somebody has said that they are going to—the administration plans on cutting the civilian work force by 20,000 or a third or something. I forget what the newspaper said.

Secretary RUMSFELD. I haven't heard that.

Mr. REYES. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. And another distinguished gentleman from Texas, Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Mr. Secretary, you ended your testimony with a statement that I did not find in your written testimony. I think you said, "I feel deeply about the urgency to transform the Department." That feeling of urgency is something that I share, and it seems to me that creating a culture of innovation within the Department is more important than what we buy or even how we invest some of our research dollars. And you listed in your statement several things such as organizational flexibility, some personnel flexibility reforms that you talked about, and some others maybe you didn't talk about, some other things such as training and education, lifelong, career-long education, which seems to me to be the crucial elements in creating this culture of innovation.

Mr. THORNBERRY. I guess what I want to ask is, how important do you think these nonprocurement items are to creating the kind of department you would like to create, and to be a bit more practical about it, how does this rank on your list of priorities?

I mean, trying to think for a second about you having to worry about the Global War on Terrorism in Iraq, and tensions in other parts of the world. When you try to change the personnel system inside the Department, you are going to have more fighting on your hands than most of us would like to deal with.

And so, looking at the broader scope of your responsibilities, is it worth taking that fight on? Where does it rank in your priority as far as trying to create this culture of innovation and transform in the Department?

Secretary RUMSFELD. The short answer is, yes, it is worth taking it on, in my view, sir. If I were to put, on a scale of ten being the most important and one being the least important, I would put things, platforms, down near the bottom, and I would put the culture and people up near the top.

I would guess that the single most important thing that General Myers and General Pace and Paul Wolfowitz and I have done, and the President is, over the past two years, spend an enormous amount of time thinking through who the key people will be in the critical posts, and who they will have around them. It is—either there is an attitude that is the right attitude about recognizing the nature of the 21st century or there isn't.

And we have spent an enormous amount of time trying to find people who understand that. And I believe we have done that in many, many cases. And so how do they then deal with this great institution? And it is a wonderful institution. And every time I say something about its imperfections, I cringe a little, because I don't like to do that. It is just an amazing—I suppose it is the biggest institution on the face of the earth in many respects.

But, the truth has a certain virtue. And despite the wonderful people and the wonderful things that this institution does for the

world in contributing, contributing to peace, to stability, the fact remains it is like turning a giant ship. And we have got it started turning. And it takes time. And it takes people on that ship who want it to turn, who want to calibrate it in the right direction.

And the people are, walking away, the single most important thing. And they have to be able to deal down, just as it is critically important that Dov Zakheim get the financial institutions and management systems in this institution to work so that managers can look down and see what the effects of their acts are, which we can't today, we can't track. Most of the financial systems are designed to report to Congress, not to gain information and knowledge.

But we have to have the ability to lead people and see that the culture is changed. So, you know, people have said to me ever since I got in the Department this second time, golly, do you really want to do that? Wouldn't it be a lot easier not to have a Base Realignment and Closure (BRAC)? Wouldn't it be easier to just sit back and fight the Global War on Terrorism or to do something else.

I think that if anything, September 11th and what is going on in this world with the terrible, terrible danger we face with the nexus of weapons of mass destruction and terrorist networks being capable of imposing death and destruction on innocent men, women and children in this country and in our interests across the globe, creates a sense of urgency that we do not transform, not that we throw in the towel and say that we are too busy to transform, but we must do it.

Mr. THORNBERRY. Thank you.

The CHAIRMAN. I thank the gentleman. Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. Gentlemen, I appreciate you being here. I don't know if you see this as a gauntlet of torture or a debating society, but we really appreciate your time here.

First, just a comment. In your opening comments, Mr. Secretary, you mentioned flexibility. One of the areas I really encourage you and our commander-in-chief to stand behind in terms of flexibility is Cooperative Threat Reduction moneys. There is—that may be the cheapest amount of safety that we can buy in the world. There is broad support in the American public and in the Congress—obviously Senator Lugar is now chairman, but there is broad support.

There are, in my opinion, a small number of Members of the Congress that want to put conditions and micromanage, and I just encourage you to stick by your guns and be willing to threaten a veto over the defense bill to get the kind of language that you all need.

General Myers, Senator Bob Graham a day or two before his heart surgery, and we all wish him well, but I attended a forum where he was a speaker. And he gave a ballpark figure that he thought that there was about a hundred thousand terrorists in the world. Is that a ballpark number that you think is in the range?

General MYERS. Congressman, you know I would hesitate to venture a guess at this point. I mean, I think we know in terms of al-Qaeda, there are thousands that were trained in Afghanistan. I think we have a pretty good understanding of those numbers.

I would just hesitate to say, because it changes every day. Some are rounded up, some decide that that is not what they want to do, as other people decide that is what they want to do.

Dr. SNYDER. I appreciate that. The reason the number stuck in my mind was because the President, in the State of the Union Address, I think he gave a total of about 3,000 people that had been rounded up or killed. If Senator Graham's number is right, then we have got a long ways to go.

Mr. Secretary, I wanted to ask you, I did not understand the exchange between you and Mr. Spratt over this language in your written statement that you amplified on, this 2004 budget does not include funds for operations in the Global War on Terror.

My understanding of what happened last year is that there was resistance from the Congress because of—for want of a better word—we referred to the ten billion dollar slush fund, but that there was reluctance to give that kind of no-strings-attached authority.

But, as General Myers just acknowledged, thousands of people are still out there. Senator Graham thinks maybe a hundred thousand people are still out there. In your statement, you say this war is going to go on for years to come. Why would we not have some kind of articulated amount of dollars in the budget—not just a total amount, but an estimate of force or fuel or food or transport?

I mean, rather than doing this by supplemental, because this is going to be ongoing costs for years to come. This sounds like very poor planning. Maybe it is misleading to the American people of what the costs, the true cost of our defense budget is.

Secretary RUMSFELD. Mr. Congressman, it isn't misleading. Indeed, we said what we thought that was. We said, when we put the ten billion dollars up, that it was not a slush fund, that is a phrase that you can be sure that we didn't use.

Dr. SNYDER. If I can interrupt you. Please talk about this, as we are heading into this budget year.

Secretary RUMSFELD. I will. I will get there. But, the ten billion dollars we said would cover the cost of the Global War on Terrorism for the first period of months before the Congress went on recess, had Christmas, came back in session, got organized and began to look at the subject of a supplemental sometime in February or March.

And we were about right. We figured it at about a billion to a billion and a half a month. And what was it going for? We said it was going to go for the combat air patrols flying over the United States, we said it was going to provide for the force protection of the United States, we said it was going to provide for the funds that we were spending in Afghanistan to do that.

We could not say that it would necessarily go for train and equip activities in the country of Georgia, because we knew that we would be doing train and equip, because those are things where we don't have to use our forces. If they are willing to get trained and equipped to help fight terrorism, our country is better off having them do that. And we are training people in Yemen and the like.

Now, we can't know which country is going to agree, but we can know in advance that we are going to engage in that type of activity. We had those things.

Now, the current situation. We did not put money in it this year for the Global War on Terrorism, nor did we put money in for the cost of the build-up to support the diplomacy with respect to Iraq.

Now, one can say, well, why didn't you? Well, because we didn't get it last time, number one. The same argument would have been made, a slush fund, which is, I think, improper. And it is not possible to predict what it would cost because we built that budget and submitted it to OMB a couple of months ago back in December and November. And it was built over the preceding year.

What is evolving now wasn't knowable. So, in terms of the build-up on Iraq, we couldn't predict that, because we didn't know what the President would do. In terms of the Global War on Terror, we could have.

Dr. SNYDER. Thank you, Mr. Secretary. Mr. Chairman, if I may make a comment to you. I think we ought to pursue this, maybe some of us who are more junior Members don't understand this. But, I mean, when I talk to people back home in Arkansas, the number one goal they want us to go after is the war on terrorism. Yet we don't have it in the President's budget proposal. I am confused here. If the Secretary can't trust us or we can't trust the Secretary or something, but, somehow we have to budget for this.

The CHAIRMAN. Well, I will just tell the gentleman, we did pass the ten. And it turns out, their estimate was fairly accurate. They said this will carry us through March. That roughly works out to a billion six a month. And they did describe the air caps, the transportation, the call-ups, basically operational costs that were kind of the ham and eggs costs of operations that they could expect, because they were undertaking them, and Congress, as a whole, did not fund it. So them's the facts.

Secretary RUMSFELD. It is certainly not a matter of us trusting the committee. We came up and gave the committee every piece of information that we conceivably could. And over the period with all of the committees in both houses that are involved, it ended up not happening is all.

Dr. SNYDER. Just one final comment, because I have been talking about the budget back home. There is a lot of inquiries about it. I did not realize when I was doing my press calls since the President's budget came out that I need to go back now and say, oh, by the way this budget does not cover the operations for the war on terrorism.

Now, that is not how the people of Arkansas, I think, see the President's budget.

The CHAIRMAN. Just one last point for my friend. That is true. But they did include them last year, and the Congress as a whole, I mean both bodies, rejected that. So they didn't come back. But, in reality, I would just tell the gentleman with respect to the last number of major contingencies, the budget regularly does not include those, and they are always funded in the so-called supplemental. The problem is, you are reaching in the cash drawer, literally, and pulling out cash that is designed and was intended to go for training and repairs and lots of other things.

So even when you replenish the cash drawer, you have had to cancel training rotations, and it is a very messy and very inconvenient way to do business.

So I would say this, Vic, I think this exigency that we are in right now is going to drive us and the DOD together, and maybe there is going to be more trust going in both directions. But, I do have to say, they did come to us, they described what they needed, and they were pretty accurate on the time line. And it would have carried us just about to March, which is what they described at the time.

Secretary RUMSFELD. Chairman, may I make one more comment? As I listen to you, and I listen to the chairman, the global war—first of all, the chairman is exactly right. Wars tend to be funded by supplementals because they are not predictable and you can't quantify them a year or six months or even four months in advance.

The Global War on Terror, however, is kind of in between. It is not the base budget, but it is going to last over a period of time. It has already, it is very likely into the future for some period, which is not knowable. But, what is knowable is a reasonable projection as to what it will cost over a 12-month period. So it is a new kind of a thing for us.

And maybe that is why in this case, the first time we came up, it didn't—it didn't take.

Dr. SNYDER. Thank you.

The CHAIRMAN. I thank you. And just one last point. This committee did approve that ten billion dollars. It got—it got stopped at a later point, but we did approve that.

The very distinguished gentleman from Nevada, Mr. Gibbons.

Mr. GIBBONS. That you very much, Mr. Chairman. Gentlemen, thank you for your patience here today. I know it has been a long afternoon, and you have been diligent in answering our questions. We appreciate that.

I do want to congratulate you on submitting a capabilities-based budget, along with the new strategies that you have got going. I think that is an outstanding approach to helping us better understand our abilities. And as we kind of scratch through the surface here and target in on some of these programs, I just want to look at some of the macro concepts that are in here.

And one, I see that for the fiscal 2004 budget, we are looking at DOD outlays as 3.4 percent of gross domestic product (GDP). Is that 3.4 percent inclusive of supplementals, or exclusive of supplementals?

Secretary RUMSFELD. It does not include the supplementals. The number there is the base budget that we have presented today.

Mr. GIBBONS. Would you mind, then, getting us a revised answer to include the supplemental spending in terms of DOD outlays, in terms of our GDP spending, give us a better ratio of how much we are spending with regard to what we are putting into DOD.

Secretary RUMSFELD. We don't have the outlays yet for 2003. And there is no supplemental yet for 2003, so we won't know until Congress acts on the 2003 supplemental. But, we can calculate that for prior years. And, of course, the outlay tends to be less than the budget authority.

Mr. GIBBONS. All right. I had a question for Dr. Zakheim, and I appreciate your presence here as well. As you know, many members of this committee have been very interested and have worked

on a multi-year program plan, procurement plan, for the C-130. Have you signed out or signed off on that plan, and if you have done so, when will the required notification be sent up here to Congress?

Dr. ZAKHEIM. I don't think yet that it is finalized; am I correct. It is not—it is not final yet. Once it is, and of course that goes through the chain of my colleague, Pete Aldrich, the Under Secretary for Acquisition, Technology and Logistics. Then, of course, notifications come.

Mr. GIBBONS. Right. Do you have any estimated time for approval on that and signing off on it?

Dr. ZAKHEIM. I have been told that we are awfully close. I can't give you a precise week, but we are not talking about months and months and months.

Mr. GIBBONS. So, within the next several days you would say?

Dr. ZAKHEIM. I think it is a little more than days, but I think it is a little less than months.

Mr. GIBBONS. Okay. I had one final question for General Myers. And your service to our Nation has always been appreciated. For many briefings you have discussed, when have you come before this committee, the need for Congress to act to help preserve our training ranges and training requirements for the future.

Can you describe the problems you are having now that are associated with preserving these ranges, and kind of give the measures that are needed or you expect Congress to do to enable these changes in preservations.

General MYERS. You bet. Let me tag on to what the Secretary said earlier. I think people can be proud of what the Department of Defense has done in terms of stewardship of the environment. We work that very hard. I think if you check with most states, with Federal agencies, you will find that that is a problem that I know as a commander I worked very hard, I know it is being worked by commanders in the field today very hard.

The problem is that some of the acts to protect various species are being now used in a way that I don't think they were intended, by people taking these into courts and stopping certain actions. And the actions that we are concerned most about are those that impact our training. And the worst thing we can do to our people, worse than inadequate pay, worse than bad housing, worse than anything is to leave them inadequately trained, so when the President calls on them to go forward, that they can't perform their mission in a way that they are capable of performing it.

That is a big problem. The Migratory Bird Act is one act that we need some relief from. There are a couple of others, as well. We talked about that last year, as well. We got great support out of this committee, but unfortunately, it didn't carry the day. But this year that is more important than ever, or we are going to send—we have the potential to send our young men and women into potential combat without adequate training.

Mr. GIBBONS. In the State of Nevada alone, we have the Endangered Species Act. It impacts training there at Nellis on the ranges, archeological sites that I actually give great credit to the Air Force for preserving, it has done great.

But Congress will need to take some action, I believe, in order to allow the services, that would be the point I am trying to make. Congress needs to act in order to relieve your requirements under the Act.

General MYERS. I think that is absolutely required. That is our view as well, that if we are to preserve our training environment so we can train in a realistic way and prepare our people for potential conflict, while at the same time taking care of the environment, they are not mutually exclusive, and I think we can do that. We have done it in the past. It is the recent court cases I think that have made this a lot more problematic.

Mr. GIBBONS. One final comment, Mr. Chairman, I will let it go. I think the added additional burden and cost of meeting some of these requirements has taken away some of the resources needed for our services to be able to train and properly support our men and women in the field who are defending this Nation. So I think this is an important issue for this committee to take up. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentlelady from California, Ms. Tauscher.

Ms. TAUSCHER. Thank you, Mr. Chairman.

Mr. Secretary, General Myers, thank you for your dedicated hard service. And I would also like to send my thanks to the people at the Pentagon who withstood a terrible attack, well over 15, 16 months ago, who basically all went to work the next day, those who were blessed to survive and who are represented by your very able staff sitting behind you, who are kind of the unsung heroes, both in uniform and out.

Please thank them on our behalf for their continued dedicated service.

Secretary RUMSFELD. Thank you very much.

Ms. TAUSCHER. Mr. Secretary, I was concerned to read in the Los Angeles Times on Monday that the Pentagon has launched a \$1.26 billion program to design computers to determine when nuclear weapons might be used to destroy deeply-buried targets, potentially harboring chemical, biological and even nuclear agents.

At a time when this committee has not yet received a report required in the 2003 authorization bill on the potential uses of the robust earth penetrator or whether or not we can still use conventional weapons to defeat hardened targets, I am deeply concerned that the administration is pushing the envelope on trying to design a new generation of smaller, more usable nuclear weapons, creating a more unstable and dangerous world.

Disconnected the practical use of conventional force, diplomacy or inspections that we used in Afghanistan, and to deal with Iraq and North Korea, the administration, through a series of pronouncements from the nuclear posture review of the national security strategy, and most recently the national strategy to combat weapons of mass destruction, has outlined a security posture for the United States that puts emphasis on preemptive strikes and on the offensive use of nuclear weapons.

I would like to know, A, whether or not this \$1.26 billion computer program is under development; and B, what circumstances you believe would justify the use of nuclear weapons by the United

States, considering I thought we had a no-first-use policy in this country.

Secretary RUMSFELD. I am going to have to get back to you with details on that, because I am trying to reach into the duffel bag here and recall what element of the classified nuclear posture review someone might have reported on in the Los Angeles Times.

Ms. TAUSCHER. Well, I have both the story and the request for proposal (RFP). The RFP is a Defense Threat Reduction Agency (DTRA) RFP, which I have got a copy of, talking about this \$1.26 billion computer program.

Secretary RUMSFELD. First of all, I do not know what that is referring to. Second, I know there is—I am—you never know everything, but I am 99- $\frac{9}{10}$ positive there is no new weapon development of the nature that you are describing.

To the extent research is being done on deep penetrator, that is entirely possible. And it is a growing problem for the world. If one looks across the globe at the number of countries that are doing things underground that make it exceedingly difficult to get at them, we are looking at a whole host of things as to how we can better understand what is taking place in terms of information. And it is—the problem of tunneling and underground activities is going to be—is a serious problem for us today, and it is going to continue to be a serious problem in the future.

Ms. TAUSCHER. I acknowledge that it is a problem. But it is not clear to me that it is a problem solved by the use of nuclear weapons. If you could just address this issue of what would justify, in your mind, the use of nuclear weapons by the United States, considering that we have a no-first-use policy, even if we got to a situation where we spent \$1.26 billion, modeled a way for us to justify the fact that we needed to do it.

Secretary RUMSFELD. Again, I would like to underline, so that the record is very clear that I cannot confirm what you are saying as fact, you read in the Los Angeles Times. And I wouldn't want it to go out of here with the world thinking that it is necessarily correct, simply because it is in a newspaper.

A comment on no-first-use. You state that as U.S. Policy. I am trying to think if the—this Administration has commented on that. But, historically, we have never had a no-first-use policy. Our policy as a country, for example, during the era of the Soviet Union was that they had much greater conventional capability and the advantage of attack.

And one of the critical elements in the deterrent for the Western allies was that we explicitly did not rule out first use.

So throughout that entire Cold War period, a war which we won with patience and effective deterrence and investment, our policy was to the other side, don't be certain we will not use them, because if you use overwhelming conventional capability, we will not assure you that we would not stop that invasion by the use of nuclear weapons. And it worked.

Ms. TAUSCHER. Well, Mr. Secretary, I am looking forward to continuing to engage you on this issue, because you may be correct, that we do not have a formalized policy. But, I can tell you that I believe that my constituents in California do not believe that the United States should use nuclear weapons first, and nor do they

believe that we should preemptively have weapons that we are trying to make smaller and more portable to go after hardened targets. That is why in the conference we appropriated \$15 million for a study to look at this issue, and now it looks like, whether you believe the L.A. Times or not, as a Californian I have to, it looks like in the budget, there is a \$1.26 billion to strap a bunch of computers together to model how we might use nuclear weapons against hardened targets.

Secretary RUMSFELD. Well, once again, you use the phrase that "not making such weapons." and I am reasonably confident, 99 and nine-tenths, that we are not making such weapons.

So those that read the paper and are concerned about that can sleep well tonight.

Ms. TAUSCHER. I will send you a letter. I have C-5s in my district at Travis Air Force Base. They have done just a phenomenal job. They have done a third of the missions and lifted half of the cargo for Enduring Freedom. They have got an avionics package upgrade that we need to do, but we are only budgeting about half of them. So, I am going to write to you and not take any more of the committee's time, and urge that to move along a little faster.

Secretary RUMSFELD. Fair enough. Can I make one last comment, please. You said your constituents do not want nuclear weapons used. No sane person would like to see those weapons used. They are—they have been used twice in anger, what 55, 58 years ago.

And it is a wonderful thing that humanity has not used those weapons again in anger in that—in the 58 years or whatever it is. That is an amazing accomplishment. I don't think in the history of mankind there has been a situation where there has been a weapon of that type that has not been used in that period of time.

Why is that? It is, I think, because people are respectful of their lethality. And that is a good thing. And I think that successive administrations of both political parties since 1945 have engaged in conflicts, various places around the world, where those weapons could have been used and were not. I think that that is not bad.

Ms. TAUSCHER. Well, my constituents at the Lawrence Livermore National Laboratory in Sandia, who made those weapons with Los Alamos, made them the best so that we would never have to use them.

The CHAIRMAN. I thank the gentlelady. And from a Chairman from another part of California who does not have to believe the Los Angeles Times, I think, Mr. Secretary, you have been brought into some degree into a debate that we had in the conference over the use of penetrators, these with underground penetration capability. And the idea was, that if deterrence does work, you don't want to allow the guy who pulls the trigger and kills hundreds of thousands of civilians by launching an attack against the United States or our allies to be able to then go underground to the facilities that he has constructed to make himself safe, and escape any of the repercussions of his own activities.

And our argument, of course, for those who wanted to see this capability at least explored, was that that is a species of deterrence. And so that—that was a debate that we had. And so we did agree to have reports on the—on the effects of underground—these

underground penetrators. But, it was also, as I believe, directed that there would be a report on the devastation that would be caused by one of the leaders who might, in fact, cause a nuclear incident above ground, and kill hundreds of thousands of people above ground.

So we had our conference debate on this. I know we will engage at a future time. I thank the gentlelady for her contribution.

And let me move to Ft. Bragg, and that gentleman who represents a lot of special operators so effectively, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. And gentlemen, thank you for being here. There have been no such reports in the Fayetteville Observer or the Concord Tribune up to this point. Focusing a minute on special operations, and let me frame the question by saying all of our men and women in every uniform have distinguished themselves tremendously. But for the moment, for special operators, there have been some incredibly capable things and accomplishments that they have done.

In your budget, on page six, you have added a 1.5 billion plus-up, which is most appropriate. How are you going to fill those billets and still maintain and increase the standards and capabilities of those folks? What is the plan for the money? How are we going to do this?

General MYERS. In terms of—the budget does many things. One of the things it does, of course, and you would understand this immediately is that we have got to reconstitute some of their equipment. And a lot of helicopters being the big issue, we are right against the stop there. So you will see some of the money is going to the helicopters, CH-47, MH-47, Echos, some Blackhawks specially configured for special forces, as well. So that is—and some 130s. That is part of it.

The other part is to, if the vision is to give special operators and special operations command responsibility for our global vision on the counterterrorism fight, then we have got to posture them worldwide appropriately. And that is going to require a plus-up in personnel in the various, theater command centers. So part of it is that, as well. Part of it is also for a plus-up at the headquarters in Tampa, because they are right now an organized train and equip headquarters, not an operational headquarters, if you will. The operations part has been at Ft. Bragg.

And so there is going to be an operations part that will be stood up with people that will come in from the other services to stand that up.

Mr. HAYES. How are we going to advertise and fill those slots?

Secretary RUMSFELD. That won't be a problem. Let me add two things. Some of that money has to go to finding ways that we can reduce the footprint of special operators and get them to move faster. The time that is available to deal with some of the more difficult threats we face around the world is not a leisurely week or two or three or four; it is hours and days.

And that costs money to increase that ability to respond more quickly. And in many instances it doesn't permit a large footprint. And we are trying to find ways to reduce the size of that footprint, and that costs money.

General MYERS. The majority of those billets, Congressman Hayes, if memory serves me right, are from the United States Army. And the Army has already agreed to shifting those billets over to special operations command business.

Secretary RUMSFELD. One other thing we are doing is we are taking some of the Tier-three activities and developing some Army and Marine and other service capabilities to do some of those things. We are trying to avoid using special operators for things that others can do as well. For example, training the Afghanistan Army, training and equipping the Georgian forces that we have been working with. We tended to use special operators because they are so good at it.

But there are plenty of people in the Army and the Marines who are not special operators who can do those jobs. And we are also, in the case of protection for President Karzai of Afghanistan, we have taken the special operators out and transferred it to a contractor, that is former special operators, but there are lots of things that we can do to see that we increase their research and speed and agility.

Mr. HAYES. I have got a nice book that we put together with your help, and Jennifer Thompson on my staff and others that show what you all need. Let's get some more money to do it.

Next question. Privatization. No question about it, there are some good things being done. We have had five A-76 projects at Ft. Bragg, four of them stayed in-house, kind of keeping people stirred up, and sometimes unnecessarily. How can we keep from having that get people wrapped around the anchor chain and still get the job done?

Dr. ZAKHEIM. Well, obviously A-76, which has been the standard way of doing this, is not the only way to do this. And we are, indeed, exploring other ways to address the privatization issue.

You know, the Secretary mentioned earlier that some folks who—if the government doesn't keep the jobs, they become contractors. It is probably worth noting that in England, they did the same thing with their Ministry of Defense, and ultimately the unions themselves quietly came back to the ministry and said, you know, our people are actually doing better by moving out in certain cases, because they get different kinds of benefits and so on.

So the key is, can we do it in a less cumbersome way? Can we do it in a way that saves the taxpayer money? Again, it doesn't matter who wins it. Like you pointed out, a lot of these jobs stay with the government.

Mr. HAYES. Thank you, sir. And last question and I will close. Mr. Secretary, when you are talking to some of your dear friends in the press, ask them what the cost prior to September 11th was, what their budget would have been for not aggressively pursuing a war on terrorism. Thank you.

The CHAIRMAN. I thank the gentleman. The distinguished gentleman from New Jersey, Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman. I would like to thank each of you three gentlemen for your service and for your patience today.

A lot of people say that the world changed on September 11th. I respectfully disagree.

I don't think the world changed much at all, but our awareness of it changed rather rapidly. But I don't think we changed our awareness quite enough yet. And I offer two observations and then a question.

This question of how much money we have allocated for the war against terrorism confuses the operation in Afghanistan with the war against terrorism. You can make a good case that almost everything in the defense budget is relevant to the war against terrorism.

If the determination is made that extinguishing a terrorist sanctuary somewhere requires the use of air power or naval power or special forces, then some portion of that existing budget is going to go for that purpose.

The second suggestion I would make—I agree with Mr. Thornberry about the urgency of transformation. And I think one of the tools that we could use on the committee and the Department could use in public discourse is a sort of weighted average, where you could take the expenditures we are presently making on various weapons systems, aspects of our budget, and multiply it by a factor that is assigned based on the value of the mission that that weapons system or aspect of the budget could accomplish and how important that is.

My own observation would be that 1960s-era weapons systems designed to win a ground war in Western Europe would have a very low value. When multiplied by their very large dollar figures, would yield a very small product.

On the other hand, tools for information dominance, for rapid forward deployment and similar tools that I think would be incredibly relevant for the war against terrorism, should be assigned a much higher value, and I think if you analyze the budget that way, you would find that our priorities are skewed in the wrong direction. Would you care to comment on that?

Secretary RUMSFELD. Well, I think it is an interesting observation. As a matter of fact, we have spent a good deal of time, and we have got us a group of insiders and outsiders working right now on developing metrics for the Department. The Department seems not to have many ways of measuring what we are doing or how well we are doing it.

Our information systems are poor, our financial management systems are poor. The people focused on this are in the process of establishing these metric so that—because of the truth. The truth is what you measure improves. It gets better. And either you find a way to do that and track it month-to-month, day-to-day, or you don't.

And there is no question, but that there are a good many things that we do that don't get—wouldn't get the weighted—.

Mr. ANDREWS. I think it proves the point for transformation, which I would urge you to keep pursuing. The question I have for you is the far more immediate question. And within the balance of what propriety and respect for classified information would let you do, I think it is very important that we dissuade this notion we hear in the popular media that, quote, going it alone in Iraq is even a remote possibility.

I am confident that Secretary Powell's powerful presentations today at the United Nations will yield a formal declaration of support from the UN should conflict be necessary. But, I wonder if you could outline for us the activities for military cooperation that are already in place, that are already committed by allies of the United States, to the extent that concerns about confidentiality and classified information let you do that.

Secretary RUMSFELD. Congressman, you are certainly right. We have a nontrivial number of countries that have already agreed, quite apart from any second resolution, that are willing to participate with military combat and support capabilities. We have a number of countries two or three times that that are close to that.

We have a very large number that have agreed to participate as part of a coalition of the willing, by providing access, basing, overflight and that type of thing. We have another group of countries that are willing to do it only if there is a second resolution at the UN. They say, although the political cover, if you will, that they would get by knowing the number of countries and the names of the countries, that are able to participate or willing to participate would certainly I think bring some of them in regardless of whether there is a second resolution.

And then there is another pretty good group of countries that are indicating that they want to help in a post-Saddam Hussein Iraq in the coalition to assist in reconstruction.

Then there are three or four countries that have said they won't do anything. I believe Libya, Cuba and Germany are ones that have indicated they won't help in any respect, I believe.

Mr. ANDREWS. I see my time is up. We very much appreciate your continuing articulation of that position. Thank you very much.

The CHAIRMAN. I thank the gentleman. The distinguished gentlelady from Virginia, Mrs. Davis.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Chairman. Gentlemen, I would just like to say thank you for the job that you are doing on our global war, and especially to our men and women in the military, who are just making us prouder and prouder every day. I just add my thanks as the rest of my colleagues.

Mr. Secretary, you know I am going to the ship building account. I am just really pleased to see that one billion plus go in for the CVN-21. I think that given the fact that sea bases are what we are looking at in these global wars, that is a wise decision and I really appreciate it.

But what does concern me, and I appreciate the seven new. What does concern me is the 26 ships that you are retiring, dropping us down to 291, and then being, I believe, 2009 when we get to 305.

I heard what you said to the gentleman from Mississippi, that rather than look at the number of ships, look at what the ships can do. Based on that, what do you see as the proper size of the Navy to fulfill the requirements in your—I think you outlined it in your defense planning guide.

Secretary RUMSFELD. I am knowledgeable and aware of what the Chief of Naval Operations has said, and I consider him to be a truly outstanding officer and individual who has excellent judgment. I am personally inclined to defer a judgment on a number until I see the mix.

What we are doing at the present time I am convinced will help our Department do a vastly better job. And we are in the process of developing joint concepts of operations, which we can then test activities against, and look at the services and have them, in a sense, compete to perform tasks that need to be done jointly on behalf of a combatant commander for a range of different types of scenarios.

At that time, when we have that, sometime early this year, a first cut at it, we will then begin to test against that the various services' capabilities and platforms and ideas. And out of that, I believe, will fall answers with respect to what the Navy ought to look like—now, the Navy is going to look like it looks today for a long time, the lead times are so long on these.

But, I think we will have a better idea of what the mix of capabilities we need in the Navy in the outyears. It is awfully hard to look past five or ten years. These ships last, as you well know, decades, and thank goodness they do. But, their need is not going to disappear, and I am going to defer on a specific number until I develop more conviction.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Secretary. And I will be watching it closely, as you know. And Dr. Zakheim, did you have a comment that you wanted to make?

Dr. ZAKHEIM. In terms of the ships that are leaving the fleet, this isn't a particularly new approach. These were identified by the Chief of Naval Operations. To give you largest class, it was the Spruance Class. They were built in the mid 1970s. And they really—of course they are decent ships, and I am pretty sure a lot of navies in the world would want them.

But relative to our missions today, they really don't bring all of that much to the table. You remember Admiral Zumwalt when he was Chief of Naval Operations (CNO), cut the force down from 1,000 to 500. So, relative to that kind of radical slice, this isn't really that large a cut at all.

Mrs. DAVIS OF VIRGINIA. Well, if we had 500, I wouldn't be asking the questions.

Mr. Secretary, if we can go back to—I just want to make sure, and I don't want this to be combative, I just want to make sure I understand a comment that you made earlier when you said that—I want to make sure I get you right—that Congress has not given DOD enough ability to manage its accounts.

Then, right after your statement, General Myers said that—I don't know if he said it or if I read it in his written statement—that he cited the extraordinary success of the Millennium Challenge '02 as critical to transforming DOD.

And if my memory serves me right, it was just last year that I had to work with my Virginia colleagues to restore, I think it was \$70 million to the Millennium Challenge, '02 because that had been cut by DOD.

Is that the type of congressional interference you are referring to when we start doing things like that?

Secretary RUMSFELD. Certainly not. My goodness gracious. We have increased the funds for the joint forces command and for the types of things that you are talking about in this budget by a significant percentage. And I think—I don't know what I said pre-

cisely, but I know what my testimony said. And it was that we do have a problem operating the Department. There are an awful lot of restrictions on us.

Some of them are self-imposed, some of them are procedures that have just grown up like barnacles in the Department. We don't need any legislative relief at all. There are, however, in a number of instances, places where we do need legislative relief.

And, no one has a monopoly on wisdom. This Congress and this committee and the appropriators have, in many instances, given guidance to the Department and direction to the Department, which is their proper right under the Constitution, that has resulted in improvements in our military capabilities, let there be no doubt.

What we need is to have that exchange back and forth, so that we together find the right answers. And that is why we have spent so much time in the recent months meeting with Members and meeting with staffs, to try to see that we got that interaction going. My hope is that before this committee or other committees of the Congress make changes in a closed room without our having a chance to talk to them about them, the way that the Congress is having a chance to talk to us as we build the budget, that we will have a crack at some discussing and try to give a sense of what we think it could do to the coherence and the balancing of the risk that we have tried to take.

And that means that we would like to be a part of that process. We would like to be a part of the conference process so that no one goes into a dark room, a closed room, I mean, and makes a set of decisions. Then we discover them the next day and we didn't have a chance to say, wait a minute, do you realize that this will have that effect?

Mrs. DAVIS OF VIRGINIA. Sounds fair, Mr. Secretary. But most of us don't get in that dark room either.

Dr. ZAKHEIM. Congresswoman Davis, the increase is more than 55 percent from last year to this year.

Mrs. DAVIS OF VIRGINIA. Thank you, gentlemen, and thank you, Mr. Chairman.

The CHAIRMAN. Thank the gentlelady. And the gentleman from Georgia, Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Chairman. I look forward to serving with you, and I want to thank the Secretary and General Myers for all they have done for our country. I do that on behalf of my constituents. I come from middle Georgia. My district has employees in Robins Air Force Base, Ft. Benning, Ft. Stewart, Ft. Gordon. I trained at Ft. Stewart for advanced infantry, and then Benning for NCO school, Ranger school and jump school. So it is a personal interest of mine to represent those areas well.

I am one who thinks that if we are going to go into Iraq, sooner is better than later for many reasons, take more than five minutes for me to explain my justification for that. Certainly don't want to do it too soon, and don't want to do it without our allies in tow and without Security Council approval, et cetera.

I think that having allies in tow and Security Council approval is something that is important to the overall war on terrorism.

Mr. Secretary, you mentioned that a larger objective, a long-term objective is to have those kids in the Madrassas learning math instead of hatred of the United States, that in the long-run, cutting off the supply of terrorists is something that is strategically very important to us. And yet, I understand that last week, if I understood the exchange earlier correctly, you and General Myers spent an hour and a half trying to figure out rules of engagement because you were troubled by the use of nonlethal force when the enemy is engaged.

To me, at least, I have to believe that one of the things that you are thinking about is how to do this in Iraq causing the least damage to the long-term strategic objective of not fomenting more angry terrorists and kids that want to kill Americans.

And so I have to assume that one of the things you are considering is how to do this with the least force, as the military always does, and using nonlethal force from time to time. Am I correct about that?

Secretary RUMSFELD. Your phraseology suggested that we were troubled by the use of nonlethal force. That would be a terrible misunderstanding. But what we were trying to do, is to find ways that nonlethal force, that is to say, riot agents, for example, could be used within the law and within the treaty.

And that is a difficult thing to do given the treaty that has been signed by the—it is a treaty, is it not?

General MYERS. Yes.

Secretary RUMSFELD. That has been signed by the United States and the other addendum or attachments or agreements or understandings that attach thereto.

We agree with you that it is important that the—that force be measured, force be proportionate, force be designed in a way that it enables you to achieve your military goals with the least conceivable interference with innocent people and noncombatants.

Mr. MARSHALL. Well, to the extent that we can have any impact on giving you the tools to go in there and do it the way you want to do it using measured, nonlethal force, then you should ask us, and I am sure that we would be willing to move fairly quickly.

I should simply say as well that Robins Air Force Base does stand ready and willing to handle the new platform for the J-Stars.

The CHAIRMAN. I thank the gentleman. The gentleman from New Hampshire, Mr. Bradley.

Mr. BRADLEY. Thank you very much, Mr. Chairman, and thank you all gentlemen for your fine words this afternoon and for your long years of service. And I also thank you for your commitment and for the commitment of all of the men and women who serve under you to protect the safety of Americans.

My district includes the Portsmouth Naval Shipyard. They do an excellent job of helping to maintain our nuclear deterrent in their mission. And also I appreciated your words this afternoon with regard to the National Guard.

At some point in time in the future, where it is not so late in the day, I look forward to having further conversation with you about that. Thank you again.

Secretary RUMSFELD. Thank you very much.

The CHAIRMAN. I thank the gentleman. The gentleman from Florida, Mr. Meek.

Mr. MEEK. Thank you very much, Mr. Chairman. Once again, it is an honor to serve on the committee. Mr. Secretary, General, Comptroller, pleasure to have an opportunity to hear some of the comments and suggestions, especially as we move forward in this time of conflict or possible conflict.

I wanted to ask a question. Last year, I didn't have an opportunity to not only serve on this committee, but even be in the Congress, but I was an outsider and quite a few things that I did pay very close observation to. I understand last year that DOD in this Congress authorized an under secretary position for intelligence.

And as we start to have the debate within things that you can discuss with the American people about the safety of troops abroad and especially now in Iraq, intelligence was one of the big issues, as it relates to not only homeland security, but troops abroad.

How are the responsibilities changing now, within the parameters which you can discuss with us, to give the American people and also this committee that DOD is doing everything it can to make sure that those individuals return home? Because I can tell you, there is no—how would you say—I am not—I wasn't a military son or whatever the case may be, but, watching these men and women leave to protect our country was quite tear jerking and emotional for many Americans. And if you could speak within the parameters of sharing with us and the American people of how far we have moved in that area.

Maybe it could be some of the testimony that Secretary Powell shared with the security council today because of that office and what it is doing to protect our troops.

Secretary RUMSFELD. Well, thank you, Congressman Meek.

When I came back to the Department two years ago, it was clear that the Department was deeply involved as a part of the Intelligence Community with the Central Intelligence Agency and the other elements of intelligence gathering.

And we have the National Reconnaissance Office, National Imagery and Mapping Agency (NIMA), Army and Navy, Air Force Intelligence, we have the Defense Intelligence Agency, and I am sure I have forgotten something. But we have these national security agencies and others. And they all do a wonderful job.

And yet the task is not so much—there are two tasks. One is having data and information. And the other is having it in the right place, in the right time, with the kind of coherence and analytical backdrop to it.

So the reason we recommended and appreciate the Congress approving an Under Secretary for Intelligence is so that we can, number one, see that those threads come up through the needle head in a more responsible way. And, second, it will make the task of the Director of Central Intelligence, George Tenet, considerably easier, because when he plugs into our Department, instead of plugging in six or eight places, he will be able to plug in through the Under Secretary of Intelligence, and have a senior official there able to help cause that department—these multiple agencies involved with intelligence, respond to the Director of Central Intelligence in an effective way.

There was a feeling that when the Cold War ended, that the task of the Intelligence Community would be easier. And so a lot of reductions were taken during the 1990s. It turns out to be a big mistake. The Intelligence Community needs funds, and they need funds because the world is a big place.

And we have to now look not only at the Soviet Union, which you could learn and get comfortable with and watch it move in kind of a ponderous, predictable way.

But we have got to look at a whole host of closed societies, places like North Korea, which is closed, and any number of terrorist states. We have to look at ungoverned areas in the globe. Increasingly, there are big chunks of countries that the countries don't control, that are really not effectively under the governance of the so-called government of that country.

So the task that the Intelligence Community has is more difficult, not less difficult. Second, the ability to deny and deceive is growing every day. Because we were talking about the underground tunneling and activities that take underground. The knowledge that has proliferated around the globe as to how our satellites work and when we are able to see things, and what we are able to see, what our techniques are.

We have had spies who have given away information that have just been terribly harmful to our ability to know what is happening in the world. And simultaneously with the increase in the difficulty of the task, you have had the increase in the lethality of the weapons. The proliferation of chemical and biological weapons. And we sit here today facing a world within a decade where there could be another four, five or six nuclear powers, and not nuclear powers like England, not nuclear powers like the United States, nuclear powers, nuclear weapons in the hands of terrorist states.

So it makes task of getting better intelligence faster, and fused in a way that it is actionable and usable for knowledge so much greater, because the risk is so much greater.

Mr. MEEK. Mr. Chairman, if I may just quickly. Mr. Secretary, I just—I think that that is so very, very important. I was a captain in the highway patrol before I went into the Florida legislature. The issue of security and preventative measures as it relates to security is never high on the totem pole until someone is missing their car in the parking lot.

But I just wanted to say that if we can tie that intelligence in with the saving of American lives in Iraq, or even using it and using it as relates to North Korea, and credit the activities or the authorization from the Congress and the efforts to the Department of Defense in saving lives, the reason that we didn't have a great loss of life is that we had the kind of intelligence we needed to make sure that individuals returned home.

I know we all hold that in a high record. But as you and General Myers talk more about troops going and being safe, I think that sharing to—whatever limit you can with the American people—would be quite helpful, because we will be the ambassadors in our districts of explaining to mothers and wives and husbands about the safe return of their loved ones.

Secretary RUMSFELD. Congressman, that is an enormously important topic. I am delighted you raised it. And you are quite right.

We, as a country, by doing better in this area, can save lives by taking action before the fact rather than trying to clean up something after it has happened. Thank you.

Secretary RUMSFELD. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Ohio, Mr. Turner.

Mr. TURNER OF OHIO. Thank you, Mr. Chairman. Thank you, Mr. Secretary. I appreciate your efforts to provide information to new members bringing us up to speed on some of your goals. I appreciate the briefing that we had last week where you talked about the accomplishments that you have had over the past two years and what you outlined and highlighted today and your goals of transformation and certainly that process. One of the themes that is consistent throughout your presentation is the issue of New Century and shifting from the Industrial Age, and in concert with that theme my question goes to the area of science and technology funding.

In your presentation you indicate that the goal of three percent of funding for science and technology (S&T) will not be met with the requests being at 2.69 percent. And looking at the other materials we received, they also indicate that last year's request was similar, at 2.68 percent. And listening to some of your issues of transformation and reductions, we can talk in terms of achieving efficiencies and shifting priorities. But in science and technology we are talking about investing in really our advantage on the battlefields of tomorrow. And looking at your materials, some of the things that are listed under science and technology, advanced combat and soldier systems, aircraft propulsion, unmanned systems, space communications, some of the things that currently are touted as the most important in looking at the modernization of our forces, I was wondering, your concerns about the cumulative effect of not meeting this goal and whether or not you have a plan to catch up.

Secretary RUMSFELD. Well, Congressman Turner, it is—I suppose it is unknowable, in this sense. I was in the pharmaceutical business for a number of years and in the electronics business. And people—we would look at the research and development budgets as a percentage of revenue, sales, and try to see—try to stay up at a certain level, never knowing if the dollars you put in there will actually produce a product that will create value but knowing that if you didn't do it you were eating your seed corn because all your other products were getting older and you were not at least trying to get that new information and the new products that could help save lives.

The same thing is true here. It is a guess what that number ought to be. I mean the three percent is pulled out of midair. But over time I have got to believe that we do misserve our country if we don't find ways to see that we invest something like on a regular basis. And you are right, there is cumulative effect to underinvesting. It is just like housing. You underinvest long enough and you are going to end up with a growing percentage of your total housing that is substandard. And if you underinvest in research and development, or in this case, S&T, we call it in the government, in the Pentagon, we are going to end up with having under-

invested in a way that we are going to end up with sub—not sub-standard, but capabilities that are not on the leading edge and that are less than they ought to be.

Dr. ZAKHEIM. Congressman, if I could only add one point, which is, of course the issue is really three percent of what. Two years ago we were somewhat lower than we are today, but that was 2.6 whatever, 2.67 of a budget of 331 billion. Now we are at 2.69 out of a budget of 50 billion more, give or take. So the pie has grown and the absolute number is over \$10 billion now, and by 2007 we will be over 11 billion.

So there is progress even if we are not there yet. I don't want you to walk away with the impression that we are not putting more and more money in, even as we put more money into development, say the missile defense area, where now we are putting money into development because we are much more on the way toward actually producing systems that we will field.

Secretary RUMSFELD. When the supplemental comes up, the budget will be higher and the investment in S&T, therefore, will produce a still lower percentage, although the dollar amount will stay the same.

Mr. TURNER OF OHIO. Thank you.

The CHAIRMAN. I thank the gentleman. And the gentlelady from Guam, Ms. Bordallo. And is that the correct pronunciation?

Ms. BORDALLO. As long as it is not "bordello"

The CHAIRMAN. Believe me, it never will be.

Ms. BORDALLO. Thank you, Mr. Chairman. Mr. Secretary.

Mr. ABERCROMBIE. Mr. Chairman, can you explain to Mr. Taylor why that is funny to some people in the room?

Ms. BORDALLO. Thank you very much, Mr. Chairman, and Mr. Secretary, General Myers, and I, too, would like to join my colleagues by saying thank you. It is a real delight to be on this committee and very, very important for the Territory that I represent and that is Guam.

I am a new Member, and I am afraid I am quite persistent. I have been asking at every briefing about the North Korean situation and Congressman Skelton opened up this hearing by alluding to the North Korean situation. It is my belief, Mr. Secretary, that the Territory of Guam is a key component to defend U.S. interests and our allies in the Pacific region. Given the number of important and competing military responsibilities Guam is tasked with, it often seems that there is no clear strategic vision for Guam's future, where thousands of loyal Americans live. Also, it is unclear what protection, if any, Guam would have under a national missile defense system even though it is just within the range of a North Korean missile attack. During the Pentagon hearings, the briefings, I heard no mention of any activity going on in the Pacific Command other than the normal activities. I would like to work with you to craft a strategic vision for the future of the military on Guam and would like to begin by asking you what you perceive as Guam's role, given the increase in tensions on the Korean Peninsula. Perhaps the General could also answer, and also to ask you is that role reflected in the budget that you have presented to us today?

Secretary RUMSFELD. Is what role?

Ms. BORDALLO. The role of Guam's activity.

Secretary RUMSFELD. Oh, absolutely. I mean, Guam is important. It is important in and of itself. It is important to the United States military, as you know well from your background. I would say that the range, the ranges of North Korean ballistic missiles are increasing over time, and today they cover not just Guam, but they cover our friends in Japan, they include portions of the United States, and because of imperfect knowledge about the ranges, one has to anticipate that they either have or will shortly have the ability to range most, if not all, of the United States given the tests they did with a two-stage with a kick-motor some time back, I believe it was the Taepodong II.

I don't know quite how to answer your question because I don't think of Guam as something that is separate from the United States or separate from Northeast Asia. It is—when we make our arrangements for how we want to deter and defend our country, we do it forward. We don't do it back, thinking we should protect the border of California or the East Coast. We do it forward. And we do it forward for a reason, because we believe it is very much in our country's interest to deter and defend in that way.

We do a great many things. We have got significant investments in Asia, not just Northeast Asia, but in Korea and Japan and Guam and in other locations. We have increasing capabilities in the southern portion of that region, and we consider it enormously important and certainly this budget reflects that.

Ms. BORDALLO. Perhaps, Mr. Secretary, I could rephrase the question. During the BRAC closures, Guam took a hit and we closed major bases there. I never could understand that because I realize that, strategically, we are very important to the United States being so far away and so far—so close to some of the troubled areas. And what I mean to say is we don't see that much increased activity. There is a little. We have some of the bombers coming through. We have the nuclear subs that are being stationed there. But I don't see that much increased activity inasmuch as Korea is such a real threat.

General MYERS. When I served in the Pacific as Commander of the Pacific Air Forces, you are quite right. That was—I think I got there just after the BRAC or while it was being implemented, and I think the strategic vision for Guam at that point was pretty much as you described it. But I would say since the late 1990s, and particularly with Secretary Rumsfeld and the team now, that the strategic value of Guam is very, very high, and we have put millions into the fuel infrastructure into Guam, as you are probably aware.

Ms. BORDALLO. Yes.

General MYERS. We are putting, I think, millions into infrastructure so we can receive bomber elements because of its strategic location, and not just for Asia but it could be for other parts the world, as well. I think you will see in this budget other things that are going to happen good for Guam, and we talked about the submarines being stationed there, as well. So I think from where we were 5, 6, 7 years ago to where we are today that it is almost a 180 degree swap-out with how we view Guam and its strategic importance to the United States as part of the United States.

Ms. BORDALLO. Very good. That is what I wanted to hear, that we are behind it and the buildup in Guam, and that is what my constituents are concerned with because, you know, we want to know that we are being protected and I think pretty generally you answered that.

General MYERS. Absolutely. In terms of protection, one of the things that the Secretary has done along with the Department in looking at missile defense has broadened the scope. Once we were out from under the restrictions of the Antiballistic Missile (ABM) Treaty we were able to broaden the scope of what we could do. And one of the things we can do, of course, is look at the seabased component of missile defense. And I would think that would have a lot of applicability if you think about defending places like Guam. And while there is a long way to go, I think we are on the right path to address those sorts of issues.

Ms. BORDALLO. Well, thank you very much. It makes me feel very good.

The CHAIRMAN. I thank the gentlelady. And the gentleman from Minnesota, the distinguished gentleman, Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman. I see we are starting to get the competition of competing committees here, and unfortunately I am going to have to leave in just a minute. But I wanted to thank the Secretary and the General and Dr. Zakheim for coming, for your patience today and for the thoroughness of your answers. I toiled in an earlier life for a number of years in preparing DOD budgets, so I know that there are hundreds or, more correctly, thousands of men and women not only in the Pentagon but all over who put in hours and hours and weeks and weeks; in fact, some of them do it year round all the time, and you have teams already preparing the 2005 budget. So thank you very much. It is terrific work.

I am excited about many of the things you are working on transformation and I can't wait till we get into the details of how you are going to shorten that acquisition span and streamline things, get more flexibility. I know that many of your predecessors toiled and tilted at those windmills a number of times, so I wish you great good luck and I hope that we can be an active part of that.

I simply have one question of the many that are bubbling around in my head. You have mentioned a number of times, Mr. Secretary, that you think it is—we ought to be able to do something about the fact that men and women, when they reach the ripe old age of 45 or 47, I think in your last example, they shouldn't be walking out the door. And while I am sure many of us would share that sentiment, I am wondering how that can be done, that we can keep people without literally aging the force and perhaps impacting on the morale of those younger men and women.

Secretary RUMSFELD. You are right. That is an important consideration, and it is something that would have to be done very carefully, and it would be only the people who wanted to stay. There wouldn't be any implication that people had to stay longer. Dr. Chu briefed me last week on a model that he thinks will work. He either briefed or is going to brief General Myers on that.

General MYERS. He has briefed me on that, as well.

Secretary RUMSFELD. Within the last day or two. He then is going to go around to the Services and others in the Department, and we would be happy to have you get briefed at some point. We have not concluded it is right because we are still testing it in the marketplace, so to speak. I have always believed that he who tears down what is has the responsibility of recommending something better, and it is sufficiently complex that I want to make darn sure we have something better. But it is—and it is not going to be dramatic. But it will incrementally alter it in a way that I believe is favorable. It could affect both tour lengths and numbers of years of service for those who prefer to do that.

Mr. KLINE. Thank you, sir. I am really looking forward to seeing the details of that and I am looking forward to talking with Dr. Chu and others. And, Mr. Chairman, I yield the balance of my time.

The CHAIRMAN. Well, I thank the gentleman, and you are the first one to do that, believe me.

Mr. KLINE. I want you to remember that, Mr. Chairman.

The CHAIRMAN. And my colleague from San Diego, the distinguished gentlelady, Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman, and thank you for being here. Thank you for being here for such a long time. I just wanted to go back to one of the issues and perhaps others talked about this more, but the end strength and the numbers of 10,000 in the Navy, in the naval forces. Can you tell me where—how do you get to that number? Where does that come from?

Secretary RUMSFELD. We didn't get to that number. It was there when I arrived. And what happens is a process where we can almost continuously, but at least periodically, ask ourselves what are the capabilities we believe we need to execute the defense strategy that is approved by the President of the United States. So we then take that strategy, look at the forces that are needed, and then look at the people that are needed to man those forces. It is constantly changing.

If you take a ship, the new carrier that we are proposing in this budget, it is going to be able to function with much greater capabilities and lethality, with 800 less people than the carrier right before. Now, that is the kind of change that occurs. Simultaneously, there is a change going the other way. We just increased by 1,893 the number of—we are in the process of doing it—special operators. So we constantly have these puts and takes. And the other thing that is happening out there, the world changes. So—

Ms. DAVIS OF CALIFORNIA. Well, I think one of the concerns that was raised is about the reserves and how you balance that, and so I think that was part of my question, as well, and I know that you spent a lot of time with that already. But, you know, how do we get to those numbers, and if we are looking to—if we don't feel that we want to engage the large number of reserves, then perhaps at some point maybe that number changes as well.

Secretary RUMSFELD. There are trade-offs there. To the extent you may want to take an activity from the reserves and have it on active duty, those numbers might change in some way. On the other hand, the demand for homeland security and the role of the

Guard obviously is going to be terribly important in the period ahead. You want to say something?

Dr. ZAKHEIM. Well, just specifically on the 10,000 you asked about, that is directly related to the ships that are being retired. You know, we are retiring about 26 ships, I believe, the Spruance-class and others, and so that is where it comes from.

Ms. DAVIS OF CALIFORNIA. Okay. So even though we are going to fund new ships, but we still have the net gain.

Dr. ZAKHEIM. Well, again you have the new ships coming much later and, as the Secretary just said, a lot of them will need—that is one of the attractions of these new ships, that they do need fewer people. They are much more people efficient.

Ms. DAVIS OF CALIFORNIA. And we actually have seen that in San Diego.

If I could just very quickly, one of the areas of expertise that I think the military needs more and more is language capability. And there is no, you know, line item for that per se in the budget. One of the things—and if you can find this number for me, I would be very curious to see what have we spent in the past in language acquisition and training and what are we spending today.

Secretary RUMSFELD. And I would add a third question, and what are we spending it on. Are we spending it on languages that were historically interesting and important or are we spending it on languages that are currently and prospectively interesting and important? And the answer is we need to improve.

Ms. DAVIS OF CALIFORNIA. One suggestion perhaps, and people I am sure have looked at this, is that there may be capabilities among the reserve that could be greater utilized than in the active military and perhaps, I don't know if we are using that as well as we could, but—

Secretary RUMSFELD. We are using it. I don't know if it is as well as we could. But we are definitely using the language capabilities in the reserves. I have been to locations around this country where person after person doing language work is a reservist.

Ms. DAVIS OF CALIFORNIA. Thank you very much.

The CHAIRMAN. I thank the gentlelady. And, Mr. Secretary, we have got just—

Ms. DAVIS OF CALIFORNIA. I reserve the balance of my time, Mr. Chairman.

The CHAIRMAN. We have got a few members left and I wanted to know if—how you are looking on time?

Secretary RUMSFELD. I think it would be unfair to not allow questions from the individuals who have not yet had a crack at—particularly at Dick Myers or Dov Zakheim.

The CHAIRMAN. I think we have been letting Zakheim escape unscathed here. We do have to go after him. Thank you.

Mr. Gingrey, the fine gentleman from Georgia, you are recognized.

Dr. GINGREY. Thank you, Mr. Chairman. Mr. Secretary, General Myers, Mr. Zakheim, first of all, I deeply appreciate the fact that you have been here over three hours and to let a freshmen member go to another meeting and come back and ask a question I really appreciate. In fact, it was probably three hours ago when you proposed or suggested that it would be nice if the Department of De-

fense could get a budget for a two-year period of time rather than one year, and I think that is a great idea. I don't know how difficult that would be, maybe about as difficult as it would be for you to help us get four-year terms for House Members. But I would be glad to work on that two-year cycle in exchange for that.

I wanted to—actually I wanted to ask General Myers a question in regard to the FA-22. Now, I represent an area of Georgia where the assembly of the FA-22 occurs at Lockheed Martin Marietta, and I was very interested in your comments about that. We are pleased in going forward, I hope that that \$5.2 billion will remain in the—will be funded for the F-22 program. But you mentioned, General Myers, that there are probably or might be a mix of high-end fighters, the F-22, and the older fighters, and I am just wondering going forward at what point will we mothball all of those older fighters if you will and have this joint strike fighter, F-22.

General MYERS. Well, what I was referring to, Congressman, was, you know the concept of having some high-end fighters, some that are a little more capable and then some less capable and presumably less expensive. There was a concept that I think Secretary Rumsfeld, I think, worked on when he was Secretary of Defense the first time, and I don't mean to imply we are going to keep some of the older fighters like the F-15s around. The F-22—FA-22 is programmed to replace the F-15, and then we will bring on the joint strike fighter to replace the F-16s and A-10s and some of those aircraft over time, and that will go out well into the next decade or go beyond this decade.

As you know, the Joint Strike Fighter doesn't really get up and running as it is currently programmed until the end of this decade, and then it will go for quite some time as it replaces the older aircraft in both the Navy and the Marine Corp and the Air Force, and that is the concept.

Dr. GINGREY. Thank you, Mr. Chairman. Appreciate that. Thank you, Mr. Chairman.

Mr. BRADLEY [presiding]. Thank you very much, Mr. Gingrey. Obviously, I am pinch hitting for Chairman Hunter and would ask if Mr. Alexander from Louisiana has a question.

Mr. ALEXANDER. Thank you, Mr. Chairman. Secretary, a little earlier, the Chairman said something about the fact that the B-1 fleet might be cut by one-third, from 90 down to 60. Yet your material says that it will be cut by 60. Which one is correct? And whatever is correct, will that money that will be saved be put back into the B-1 program?

Secretary RUMSFELD. It is 90 to 60, and there is no question but that the money will be used to upgrade that weapons system so that it will be more capable and be more capable for a longer period.

Mr. ALEXANDER. Okay. It says in your budget that it will be cut by 60.

Secretary RUMSFELD. I don't know. When you say "in the budget," if it says that, it should say cut to 60 and not by 60, and we appreciate that heads up.

Mr. ALEXANDER. Okay.

Dr. ZAKHEIM. That is an important typo.

Secretary RUMSFELD. That isn't in my testimony, I hope.

Mr. ALEXANDER. It is on page three in this.

Secretary RUMSFELD. What is that? That is not our document. That looks like it is a document from the committee.

Mr. ALEXANDER. Well, I am just reading what was put before us. It just says—

Secretary RUMSFELD. Which letterhead is it? Whose letterhead is it?

Mr. ALEXANDER. It is on the committee.

Secretary RUMSFELD. Thank goodness. We have dodged a bullet.

Mr. BRADLEY. Thank you, Mr. Alexander. Mr. Franks.

Mr. FRANKS. Mr. Secretary and General Myers, I am the last guy of the day. So I know you have had a long—oh, there's one more? Well, I am still going to do the same thing here. I am just going to take the privilege of the moment to thank you earnestly and to echo the appreciation of this committee for your magnificent commitment to America and human freedom. And with that, I am just going to yield back my time.

Secretary RUMSFELD. Thank you very much. We appreciate that.

Mr. BRADLEY. Thank you, Mr. Franks. And finally to Mr. Israel. Thank you.

Mr. ISRAEL. Thank you, Mr. Secretary, General, it is a pleasure to be here with you. I am a new member of this committee but served in the 107th Congress, and in that Congress was an early bipartisan supporter, Mr. Secretary, of your view on Iraq and was very proud to have worked with you on that bipartisan basis on such a critical issue. I will be very brief.

I could not agree more with your consistent and ongoing emphasis on transformation. My district is on Long Island, 35 miles away from what was the World Trade Center. My constituents understand that we are fighting a new war, that the nature of risk and the nature of threat is changing, and so my position on this committee I hope is important to them, and I just want to offer to work very closely with you, continuing on a bipartisan basis, on issues like the Army Objective Force, the Navy Expeditionary Strike Force, the Air Force Air and Space Expeditionary Force, and would appreciate it if you could arrange for a briefing so that you can help me go through this learning curve and so that I can continue to be an effective bipartisan supporter of your Department. And with that, I yield back my time.

Mr. BRADLEY. Thank you very much, Mr. Israel. And the Chair at this time would recognize the member from Missouri, Mr. Skelton.

Mr. SKELTON. I just want to say a special thanks to each of you, Mr. Secretary, for your patience and for your excellent presentation. In a world of peace you have immense challenges, and with the war on terrorism, the Iraqi situation, with North Korea coming up on the horizon, your hands are more than full, so we wish you well. Thank you for being with us today.

Secretary RUMSFELD. Thank you very much, sir.

Mr. BRADLEY. Thank you very much. On behalf of Chairman Hunter, I would like to thank Dr. Zakheim, General Myers and Secretary Rumsfeld for your patience, for your commitment to America, and the entire committee wishes you Godspeed with your very important work. Thank you.

The committee stands adjourned. Thank you, everyone.
[Whereupon, at 5:30 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 5, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 5, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Secretary of Defense FY04 Defense Posture Hearing

Wednesday, February 5, 2003

Today, the committee meets to receive testimony on the Administration's defense budget request for fiscal year 2004.

It is a pleasure to welcome back Secretary of Defense Donald Rumsfeld, General Myers and Dr. Zakheim.

We have a lot of ground to cover today and with our slightly enlarged complement of 61 members, I want to make sure we reserve as much time as possible for individual members to engage the witnesses.

Mr. Secretary, this is the third time you have appeared before the committee to present a Bush Administration budget proposal. But I believe it is fair to say that this may be the first budget that fully reflects the priorities of the Administration across the board. We will spend the better part of the next several months reviewing

and debating these priorities and through this process look forward to arriving at a common view on the best approach to provide the strongest possible defense program for the nation.

This said, Mr. Secretary, the defense program being put forward presents many of us who have long worked in the trenches for a strong defense with a series of dilemmas.

First, you deserve tremendous credit for sharply reversing the decade-long decline in defense spending that characterized the previous administration. However, the defense budget hole carved out during the 1990s will take more than two year's worth of significant increases to reverse. Thus, I am concerned that with the modest 4 percent increase proposed for this year and beyond, we are calling it quits before the job is done. We need to sustain significant defense budget increases for at least a few more years in order to begin to buy back a decade of systemic damage and disinvestment across the defense program. Only then can we afford to flatten out the defense investment curve over the long haul.

Second, notwithstanding marginal increases in the key modernization accounts, we are still lagging far behind what is necessary to support a modern, sustainable and sufficient combat force over the long term. The proposed \$72 billion for procurement falls far short of what has been broadly identified as necessary level of reinvestment to sustain the current force.

Further, the proposed budget recommends retiring or canceling programs in virtually every key combat category to carve out the resources to reinvest in "transformational" future systems. I have never been one to argue that we should not cancel or retire systems that have truly outlived their useful life or purpose, but, starting with the Air Force decision to retire a third of the B-1 bomber fleet, we continue to cut into the very foundation of our conventional combat power solely to free up funds for other needed initiatives. Simply put, Mr. Secretary, we should not be forced to incur such near term risk in terms of diminished combat capability in order to invest in the future solely because we have not properly resourced the defense budget.

Final point. The Department will soon approach the halfway point for the current fiscal year and still has received no additional resources for the billions of dollars in costs associated with the ongoing war on terrorism, homeland security support and generally increased pace of operations since September 11. This committee has over the years seen the lasting damage done when the Department is asked to pay for significant military operations "out of hide" with the promise of being made whole some time later in the year.

We know that once the services start canceling or deferring key maintenance and training activities to pay these bills, you never make up these lost opportunities and it invariably results in a downward spiral in overall readiness. I realize that I am preaching to the choir a bit here, but given the enormity of the bills the Department faces during this current year, it is important to stress the point once again that early action should be taken to replenish operational accounts as soon as possible and thus avoid the familiar negative effects of operating this way.

Mr. Secretary, I look forward to your testimony today and trust you will fully address these concerns in your presentation and through the continuing dialogue that you will sustain with the committee as this process moves forward.

Let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

The entirety of our witnesses' prepared statements will be entered into the record.

Secretary Rumsfeld, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, Committee on Armed Services, U.S. House of
Representatives
Posture Hearing on FY 2004 Defense Budget Request
February 5, 2003**

Thank you, Mr. Chairman. At the outset let me say that I am honored to have the opportunity to work with my good friend and now chairman, Duncan Hunter, in the 108th Congress.

Secretary Rumsfeld, General Myers, Dr. Zakheim: thank you all for being with us today. We meet at a dangerous time. Secretary Powell's presentation to the Security Council this morning was sobering and demonstrates the need to disarm Iraq. I commend the administration for working within the Security Council and urge you to continue doing so. If we must act militarily, it is better for us to fight under Security Council sanction and with the broadest coalition possible.

At the same time, we face a deepening crisis on the Korean peninsula and continuing operations around the world in the war on terrorism. This nation is unique in its global leadership and that leadership means being able to handle multiple conflicts simultaneously. The administration's national military strategy acknowledges reality this and our planning and budgeting must too.

I applaud the overall spending level for defense in the President's request. There is much to like in this budget including—continued pay raises for our troops now deployed more than ever, the investment of nearly \$25 billion dollars in transformational technologies and weapons programs, and the purchase of seven new ships. But our global leadership role at a time of multiple crises raises questions as well.

First, the Department's funding request of \$380 billion does not include the cost of operations that might be undertaken for the global war on terrorism or for in Iraq. I know how difficult it is to estimate

what future operations will cost, but Congress could use your best estimate of what the full defense bill might be for Fiscal Year 2004.

Second, global leadership means global presence. The visibility of our troops and our ships around the world both reassures our friends and deters our adversaries. While I am pleased with the shipbuilding plan in this budget, decommissionings will bring the Navy fleet size will drop to 291by Fiscal Year 2006, a level we haven't hit since 1916. I know that our ships have far greater capabilities now, the geography of the oceans is unchanged. U.S. leadership depends on the best naval combat capabilities, but also on our presence throughout the world.

Lastly I return to the theme of end-strength. Our global operations and the looming threats in Iraq and North Korea are putting great strain on our troops. The Navy requests a cut of 10,000 sailors to go along with the declining fleet size. Furthermore, the increases in special operations forces may well come from existing Army billets. Clearly we need more special operations troops but these should come from an end-strength

increase not by cannibalizing from Army forces already stretched thin by a relentless pace of operations.

Mr. Secretary, I stand ready to work with you on all these priorities. Making trade-offs at a time of war is extremely difficult even within a defense budget of this size. But the choices made must enhance and not place at risk our global leadership. Thank you, Mr. Chairman,

**TESTIMONY FOR SECRETARY OF DEFENSE
DONALD RUMSFELD
HOUSE/SENATE ARMED SERVICES COMMITTEES
2004 DEFENSE BUDGET REQUEST
FEBRUARY 5 & 6, 2003**

INTRODUCTION

Mr. Chairman and Members of the Committee, thank you for this opportunity to update the Committee on our progress in transforming the Department of Defense for the 21st century and to discuss the President's budget for FY 2004-2009.

President Bush vowed that, on taking office, he would order "an immediate, comprehensive review of our military—the structure of its forces, the state of its strategy, the priorities of its procurement." He warned of new dangers—of "barbarism emboldened by technology," the proliferation of "weapons of mass destruction... car bombers and plutonium merchants... cyber terrorists... and unbalanced dictators." To deal with these threats, he said, he would give his team at the Department of Defense "a broad mandate to challenge the status quo and envision a new architecture of American defense for decades to come."

The goal, he said, would be "to move beyond marginal improvements—to replace existing programs with new technologies and strategies." Doing this, he said, "will require spending more—and spending more wisely."

Mr. Chairman, for the past two years, we have pursued the goals he set out. We have:

- Fashioned a new defense strategy.
- Replaced the decade-old two Major Theater War approach with a new approach to sizing our forces that allows us to provide for homeland defense, undertake a major regional conflict and win decisively, including occupying a country and changing the regime if necessary, simultaneously swiftly defeat another aggressor in another theater, and in addition have the capability of conducting a number of lesser contingencies.
- Developed a new approach to balancing risks that takes into account not just the risks to immediate war plans, but also the risks to people and transformation.
- Reorganized the Department to better focus our space activities.
- Adopted a new Unified Command Plan, which establishes the new Northern Command to better defend the homeland; a Joint Forces Command that focuses on transformation; and a new Strategic Command responsible for early warning of, and defense against, missile attack and the conduct of long-range attacks.

- Expanded the mission of the Special Operations Command, so that it can not only support missions directed by the regional combatant commanders, but also plan and execute its own missions in the global war on terror, supported by other combatant commands.
- Initiated work with Allies to develop a new NATO command structure and begin work on a new NATO Response Force.
- Took steps to attract and retain talent in our Armed Forces, with targeted pay raises and quality of life improvements.
- Made a number of tough program decisions, including replacement of the Crusader, B-1 modernization, and the Navy "area-wide" restructuring.
- Instituted "realistic budgeting," giving Congress more realistic estimates of what programs can be expected to cost, rather than coming back for annual non-emergency supplementals.
- Reorganized and revitalized the missile defense research, development and testing program, freed from the constraints of the ABM Treaty.
- Completed the Nuclear Posture Review, with a new approach to deterrence that will enhance our security, while permitting historic deep reductions in offensive nuclear weapons.
- Moved from a "threat-based" to a "capabilities-based" approach to defense planning, focusing not only on who might threaten us, or where, or when—and more on *how* we might be threatened, and what portfolio of capabilities we will need to deter and defend against those new threats.

These are important accomplishments. They represent some of the most significant changes in the strategy and structure of our Armed Forces in at least a generation.

But as important as these changes are, they must be only the beginning. Because transforming is about more than developing new strategies and structures—it is about changing culture, about encouraging new ways of thinking, so we can develop new ways of fighting and provide our Armed Forces the tools they need to defend our way of life in the 21st century.

We are working to promote a culture in the Defense Department that rewards unconventional thinking—a climate where people have freedom and flexibility to take risks and try new things. We are working to instill a more entrepreneurial approach to developing military capabilities, one that encourages people to behave less like bureaucrats; one that does not wait for threats to emerge and be "validated," but rather anticipates them before they emerge—and develops and deploys new capabilities quickly, to dissuade and deter those threats.

Most agree that to win the global war on terror, our Armed Forces need to be flexible, light and agile—so they can respond quickly to sudden changes. Well, the same is true of the men and women who support them in the Department of Defense. They also need to be flexible, light and agile—so they can move money, shift people, and design and buy new weapons quickly, and respond to sudden changes in our security environment.

Today, we do not have that kind of agility. In an age when terrorists move information at the speed of an email, money at the speed of a wire transfer, and people at the speed of a commercial jetliner, the Defense Department is bogged down in the micromanagement and bureaucratic processes of the industrial age – not the information age. Some of our difficulties are self-imposed, to be sure. Some are the result of law and regulation. Together they have created a culture that too often stifles innovation. Consider just a few of the obstacles we face each day:

- Think of this FY 2004 budget – It was developed by the Department of Defense from March 2002 to December 2002. OMB considered it from December 2002 to February 2003 when the President presented it to Congress. Congress will be considering it from February 2003 to probably October or November of 2003 – and, as in the past, making 10-20% changes in what he proposed. DoD will then try to live with what's left during the period October 2003 to September 2004. That means that at any given time during the fiscal year of that budget, it will be between from 14 months to 30 months old while we are trying to implement what Congress gives us. And all this in a world that is changing monthly before our eyes.
- The Department of Defense spends an average of \$42 million an hour—yet we are not allowed to move \$15 million from one account to another without getting permission from 4-6 different Congressional Committees, a process that can take several months to complete.
- Today, we estimate we have some 320,000 uniformed people doing non-military jobs, yet we are calling up reserves to fight the global war on terror.
- We must prepare and submit 26,000 pages of justification and over 800 required reports to Congress each year—many of marginal value and most probably never read—consuming hundreds of thousands of man hours.
- Despite 128 acquisition reform studies, we have a system in the Defense Department that since 1975 has doubled the time it takes to produce a new weapons system—in an era when technology moves so fast that new technologies often become obsolete in months and years, not decades.
- Since September 11th, our force protection costs have gone up by some \$5 billion annually. But because we are required to keep some 20% plus more facilities capacity than are needed to support the force, we are effectively wasting something like \$1 billion every year on force protection alone for bases and facilities we do not need. We need to follow through with the base closure process that Congress authorized last year without changes.
- We have to contend with growing micromanagement of the Defense budget, making it increasingly difficult to balance risks. Consider these facts:
 - The last time I was Secretary of Defense, the 1977 defense authorization bill was 16-pages long—in the year 2001 it had grown to 534 pages.
 - In 1977, Congress made a total of 46 changes to Army and Defense Agency research, development, testing and evaluation (RDT&E) programs; by 2001 that number had grown to 450 individual changes. For every change Congress makes in a program, there is a cost elsewhere in the budget—every plus-up in one place means we must reduce funds for something else, be it

housing, or spare parts or transformation—making it exceedingly difficult to balance risks.

- We spend millions of taxpayer dollars training top-notch officers and senior enlisted, giving them experience—and then we shove them out the door in their 40s and early 50s, when they are at the top of their game -- and we will be paying 60% of their base pay and providing them with comprehensive healthcare for the rest of their lives. The loss in talent and experience to the Department and the country is sizable.
- We bounce officers around from assignment to assignment every 16, 18, 22 months, so many end up skipping across the tops of the waves so fast they don't have time to learn from their own mistakes.
- We rely on almost 1,800 antiquated legacy information systems to run the Defense finance and accounting systems—ensuring we cannot produce timely and accurate management information.
- We have the equivalent of an Army heavy division's worth of auditors, inspectors and investigators.
- We have thousands of people focused on developing and justifying budgets, and a fraction of those focused on ensuring effective implementation and desired outcomes.

The point is this: we are fighting the first wars of the 21st century with a Defense Department that was fashioned to meet the challenges of the mid-20th century. We have an industrial age organization, yet we are living in an information age world, where new threats emerge suddenly, often without warning, to surprise us. We cannot afford not to change and rapidly, if we hope to live in that world.

Some of the fault for this lies with the executive branch; some lies with the legislative branch and some is simply due to the fast pace of events. But the American people do not care about blame—for their sake we need to get to work fixing the problems.

Last year, Congress and the Administration did just that, when we faced up to the fact that our government was not organized to deal with the new threats to the American homeland. You enacted historic legislation to create a new Department of Homeland Security and rearrange our government to be better prepared for potential attacks against our homes and schools and places of work.

We must now address the Department of Defense. We are already working with a number of you to fashion legislation to bring the Defense Department into the 21st century—to transform how it moves money, manages people, and buys weapons. We are looking at, among other things, proposals to:

- Establish a National Security Personnel System, that will give the Department of Defense greater flexibility in how it handles and manages its civilian personnel—so we can attract and retain and improve the performance of our 700,000-plus civilian work force. Today it is managed outside the Department. The unintentional effect has been that the Department uses military personnel and contractors rather than civilians, since they can be more easily managed.
- A one-time reorganization of the Department, with “fast track” approval procedures.

- Move a number of the non-military functions that have been thrust on DoD over the years to other Departments that can provide similar or better services, so DoD can focus on the tasks where it must excel: defending our country in a dangerous new century.
- Transfer some 1,800 personnel who conduct background investigations to the Office of Personnel Management. Since the President has no authority to transfer functions across the Executive Branch, we will urge that he be given that authority.
- Establish more flexible rules for the flow of money through the Department, giving us the ability to move larger sums between programs and priorities, so we can respond quickly to urgent needs.
- Streamline acquisition rules and procedures, to give the Department greater speed and flexibility in the development and deployment of new capabilities.
- Establish a two-year budget cycle—so that the hundreds who invest time and energy to rebuild major programs every year, can be freed up and not be required to do so on an annual basis.
- Eliminate some of the onerous regulations that make it impossible or unattractive for many small enterprises to do business with the Department.
- Expand authority for competitive outsourcing, so we can get military personnel out of non-military tasks and back into the field. There is no reason, for example, that the Defense Department should be in the business of making eyeglasses, when the private sector makes them better, faster and cheaper. But we are. That needs to change.
- Clarify environmental statutes which restrict access to, and sustainment of, training and test ranges essential for the readiness of our troops and the effectiveness of our weapons systems in the global war on terror.
- Expand our flexibility to extend tour lengths for military leaders, and fully credit them for joint duty assignments.
- Establish more flexible military retirement rules, so that those who want to serve longer have the option of doing so—so we can retain talent instead of automatically pushing it out the door.
- Establish sunset procedures for the hundreds of required reports so that we can discontinue those that have outlived their usefulness. We simply must find better ways to exchange data between DoD and Congress, so that you get the information you need to assess performance and we do not have to employ armies of personnel and consultants preparing information you no longer need.

Let there be no doubt, some of the obstacles we face today are self-imposed. Where we have authority to fix those problems, we are working hard to do so. For example, we are modernizing our financial management structures, to replace some 1,800 information systems so we can produce timely and accurate management information. We are reducing staffing layers to increase speed and efficiency. We are modernizing our acquisition structures to reduce the length of time it takes to field new systems and drive innovation. We are working to push joint operational concepts throughout the Department, so we train and prepare for war the way we will fight it—jointly. And we are taking steps to better measure and track performance.

We are doing all these things, and more. But to get the kind of agility and flexibility that are required in the 21st century security environment, we must have legislative relief. We must work together—Congress and the Administration—to transform not only the U.S. Armed Forces, but the

Defense Department that serves them and prepares them for battle. The lives of the service men and women in the field—and of our friends and families here at home—depend on our ability to do so.

2004 Defense Budget

At the same time, we are taking steps to implement the changes agreed upon in the defense review. Last year's budget—the 2003 request—was finalized just as that review process was nearing completion. It included a top-line increase, and made important, and long-delayed investments in readiness, people, maintenance, and replacement of aging systems and facilities. And we were able to begin funding some transforming initiatives as the new defense strategy came into focus.

But it is really this year's budget—the 2004 request before you today—that is the first to fully reflect the new defense strategies and policies.

We submit this budget to you at a time of war. Our experience in the global war on terror has validated the strategic decisions that were made.

When our nation was attacked, there was a great deal of pressure to put off transformation—people cautioned, you can't fight the global war on terrorism and simultaneously transform this institution. The opposite is the case. The global war on terror has made transforming an even more urgent priority. Our experience on September 11th made clear, our adversaries are transforming the ways in which they will threaten our people. We cannot stand still.

The reality is that while the global war on terror is an impetus for change, it also complicates our task. Balancing risk between near- and long-term challenges is difficult even in peacetime. But today, we must accomplish *three* difficult challenges at once:

- (1) successfully fight the global war on terror;
- (2) prepare for near-term threats by making long delayed investments in readiness, people, and modernization; and
- (3) prepare for the future, by transforming for the 21st century.

The 2004 budget request before you today is designed to help us do all three.

Our defense review identified six goals that drive our transformation efforts:

- First, we must be able to defend the U.S. homeland and bases of operation overseas;
- Second, we must be able to project and sustain forces in distant theaters;
- Third, we must be able to deny enemies sanctuary;
- Fourth, we must improve our space capabilities and maintain unhindered access to space;
- Fifth, we must harness our advantages in information technology to link up different kinds of U.S. forces, so they can fight jointly; and

- Sixth, we must be able to protect U.S. information networks from attack—and to disable the information networks of our adversaries.

The President's 2004 budget requests funds for investments that will support each of these. For example:

- For programs to help defend the U.S. homeland and bases of operation overseas—such as missile defense—we are requesting \$7.9 billion in the 2004 budget, and \$55 billion over the Future Years Defense Program (FYDP).
- For programs to project and sustain forces in distant theaters—such as new unmanned underwater vehicle program and the Future Combat Systems—we are requesting \$8 billion in 2004, and \$96 billion over the FYDP.
- For programs to deny enemies sanctuary—such as unmanned combat aerial vehicles, and the conversion of SSBN to SSGN submarines—we are requesting \$5.2 billion in 2004 and \$49 billion over the FYDP.
- For programs to enhance U.S. space capabilities—such as Space Control Systems—we are requesting \$300 million in 2004 and \$5 billion over the FYDP.
- For programs to harness our advantages in information technology—such as laser satellite communications, Joint Tactical Radio, and the Deployable Joint Command and Control System—we are requesting \$2.7 billion in 2004 and \$28 billion over the FYDP.
- For programs to protect U.S. information networks and attack those of our adversaries—such as the Air and Space Operations Center—we are requesting \$200 million in 2004 and \$6 billion over the FYDP.

Over the next six years, we have proposed a 30% increase in procurement funding and a 65% increase in funding for research, development, testing and evaluation (RDT&E) above the 2002 baseline budget—a total investment of around \$150 billion annually.

In addition to these increases, RDT&E spending will rise from 36% to 42% of the overall investment budget. This shift reflects a decision to accelerate the development of needed next generation systems, and by accepting some near-term risk.

Among the more important transformational investments we propose is our request for funds to establish a new Joint National Training Capability. In the 21st century, we will fight wars jointly. Yet our forces still too often train and prepare for war as individual services. That needs to change. To ensure that U.S. forces train like they fight and fight like they train, we have budgeted \$1.8 billion over the next six years to fund range improvements and permit more of both live and virtual joint training—an annual investment of \$300 million.

The total investment in transforming military capabilities in the 2004 request is \$24.3 billion, and about \$240 billion over the FYDP.

But even as we continue to transform for the future, we must also recognize that new and unexpected dangers are waiting for us over the horizon. To prepare for the threats we will face later in this decade, the 2004 budget requests increased investments in a number of critical areas:

readiness, quality of life improvements for the men and women in uniform, and increased investments to make certain existing capabilities are properly maintained and replenished.

Over the next six years, the President has requested a 15% increase for Military Personnel accounts, above the 2002 baseline budget, and an increase in funding for family housing by 10% over the same period. The 2004 budget includes \$1 billion for targeted military pay raises, ranging from 2% to 6.25%. Out of pocket expenses for those living in private housing drop from 7.5% to 3.5% in 2004, and are on target for total elimination by 2005.

Over the next six years, we have requested a 20% increase for Operation and Maintenance accounts above the 2002 baseline budget. We have added \$40 billion for readiness of all the services and \$6 billion for facilities sustainment over the same period. These investments should stabilize funding for training, spares and OPTEMPO, and put a stop to the past practice of raiding the investment accounts to pay for the immediate operation and maintenance needs, so we stop robbing the future to pay today's urgent bills.

This 2004 budget does not include funds for operations in the global war on terror. Last year, we requested, but Congress did not provide, the \$10 billion we knew we would need for the first few months of the global war on terror. Because of that, every month since October 2002 – October, November, December in 2002 and January and now February in 2003—we have had to borrow from other programs to pay for the costs of the war—robbing Peter to pay Paul. And that does not include the costs of preparations for a possible contingency in Iraq. This pattern is fundamentally harmful to our ability to manage the Department. It causes waste and harmful management practices which consume management time that we cannot afford in a time of war and which are unfair to the taxpayers.

In our 2004 request:

- We increased the shipbuilding budget by \$2.7 billion making good on our hope last year that we could increase shipbuilding from five to seven ships.
- We increased the Special Operations budget by \$1.5 billion, to pay for equipment lost in the global war on terror and an additional 1,890 personnel.
- We increased military and civilian pay by \$3.7 billion.
- We increased missile defense by \$1.5 billion, including increased funds for research and development of promising new technologies, and to deploy a small number of interceptors beginning in 2004.

The President has asked Congress for a total of \$379.9 billion for fiscal year 2004—a \$15.3 billion increase over last year's budget.

That is a large amount of the taxpayer's hard-earned money. To put it in context, when I was in Congress in the 1960s, the United States had the first \$100 billion budget for the entire U.S. government. Nonetheless, for 2004, the DoD budget will amount to roughly 3.4% of GDP – still historically low. In the mid-1980s, for example, the U.S. was dedicating around 6% of GDP to defense.

Nonetheless, it is a significant investment. But compared with the costs in lives and treasure of another attack like the one we experienced on September 11th—or a nuclear, chemical or biological attack that would be vastly worse—less than 3 ½ cents on the dollar is a prudent investment in security and stability.

But even that increase, as large as it is, only gets us part of the way. Our challenge is to do three difficult things at once:

- Win the global war on terror;
- Prepare for the threats we will face later this decade; and
- Continue transforming for the threats we will face in 2010 and beyond.

Any one of those challenges is difficult—and expensive. Taking on all three, as we must, required us to make tough choices between competing demands. Which meant that, inevitably, some desirable capabilities did not get funded.

So let me state it straight out:

- Despite the significant increase in shipbuilding, we did not get the shipbuilding rate up to the desired steady state of 10 ships per year. Because of planned retirements of other ships, we will drop below a 300-ship fleet during the course of the FYDP. The Navy is in the process of transforming, and has two studies underway for amphibious ships and for submarines—we have increased shipbuilding in 2004, but we do not want to lock ourselves into a shipbuilding program now until we know precisely which ships we will want to build in the out-years.
- We have not been able to modernize our tactical air forces fast enough to reduce the average age of our aircraft fleet.
- We have had to delay completing replenishment of all inadequate family housing by 2007—though we got close!
- We have not fully resolved our so-called “high-demand/low density” problems—systems like JSTARS, which, because they have been chronically under funded in the past, will still be in short supply in this budget.
- We opted not to modernize a number of legacy programs—taking on some near-term risks to fund transforming capabilities we will need in this fast moving world.
- We did not achieve the level of growth in the Science and Technology (S&T) accounts we had hoped for. Our request is \$10.2 billion, or 2.69% of the 2004 budget. That is below the goal of 3%.
- We have delayed investments to completely fix the recapitalization rate for DoD infrastructure. We are reviewing our worldwide base structure, and starting the basic steps to prepare for the 2005 BRAC. We want to think carefully about how best to match our base structure and force structure. We still intend to get the rate down from 148 years to 67 years by 2008, and we expect to accelerate facilities investments in 2006 after we have made the needed decisions with respect to our base structure at home and abroad.

That's the bad news. But there is the good news as well: in making difficult choices between competing priorities, we made better choices this year because we followed the new approach to balancing risks that we developed in last year's defense review—an approach that takes into account not just the risks in operations and contingency plans, but also the risks to people, modernization and the future—risks that, in the past, had been crowded out by more immediate pressing demands. The result is a more balanced approach and a more coherent program.

While we are requesting increased funds, the services have stepped up to the plate and will be canceling, slowing or restructuring a number of programs—to invest the savings in transforming capabilities. For example:

- The Army came up with savings of some \$22 billion over the six-year FYDP, by terminating 24 systems, including Crusader, the Bradley A3 and Abrams upgrades and reducing or restructuring another 24 including Medium Tactical Vehicles. The Army used these savings to help pay for new transformational capabilities, such as the Future Combat Systems.
- The Navy reallocated nearly \$39 billion over the FYDP, by retiring 26 ships and 259 aircraft, and merging the Navy & Marine air forces. They invested these savings in new ship designs and aircraft.
- The Air Force shifted funds and changed its business practices to account for nearly \$21 billion over the FYDP. It will retire 114 fighter and 115 mobility/tanker aircraft. The savings will be invested in readiness, people, modernization and new system starts and cutting edge systems like unmanned aerial vehicles (UAVs) and unmanned combat aerial vehicles (UCAVs).

In all, by retiring or restructuring less urgent programs, we have achieved savings of some \$80 billion over the FYDP—money that will be reinvested by the services in capabilities necessary for the 21st century.

Finding those savings is important, both in terms of freeing up resources for more urgent priorities, and because it is respectful of the taxpayers' hard-earned money. We feel a deep obligation to not waste the taxpayers' dollars. We need to show the taxpayers that we are willing to stop doing things that we know we don't need to be doing, and take that money and put it into investments we need.

Some critics may argue we cut too deeply. We did cancel a number of programs that were troubled, to be sure, but also others that were not troubled—but which simply did not fit with our new defense strategy. In a world of unlimited resources, they would have been nice to have. But in a world where needs outstrip available funds, we cannot do everything. And something has to give.

Still others argue from the opposite direction—saying that we did not cut deeply enough. They ask: what happened to your hit list? The answer is: we never had a "hit list." What we had was a new

defense strategy, and we reviewed all the programs in the pipeline to see if they fit into that defense strategy and the new security environment we face.

Some were eliminated. In other cases, it made more sense to scale them back or change them. For example, the Comanche helicopter program was born in the 1980s, and the Army planned to buy around 1,200 of them. But in the interim, the Army decided to change its structure. In the way the Army plans to fight in the decades ahead, the role of the helicopter changes—it will be used more for reconnaissance and light attack. And for that mission 1,200 helicopters weren't needed—so we brought the number down to about 650.

In still other areas, we set up competition for future missions. For example, in tactical aircraft, by 2010 the F-22 will be nearing the end of its planned production run, the Joint Strike Fighter (JSF) will be coming on line, a number of UCAVs will be ready, and hypersonic systems could be within reach. As a result, future Presidents will have rich menu of choices for strike operations we don't now have.

We are transforming the way we develop new systems. The old way was to develop a picture of the perfect system, and then build the system to meet that vision of perfection, however long it took or cost. The result was that, as technology advanced, and with it dreams of what a perfect system could do, capabilities were taking longer and longer to develop and the cost of systems increased again and again — Time is money.

Our approach is to start with the basics, simpler items, and roll out early models faster—and then add capabilities to the basic system as they become available. This is what the private sector does—companies bring a new car or aircraft on line, for example, and then update it over a period of years with new designs and technologies. We intend to do the same.

Take, for example, our approach to ballistic missile defense. Instead of taking a decade or more to develop someone's vision of a "perfect" shield, we have instead decided to develop and put in place a rudimentary system by 2004—one which should make us somewhat safer than we are now—and then build on that foundation with increasingly effective capabilities as the technologies mature.

We intend to apply this "spiral development" approach to a number of systems, restructured programs and new starts alike over the course of the FYDP. The result should be that new capabilities will be available faster, so we can better respond to fast moving adversaries and newly emerging threats.

As a result of all these strategic investments and decisions, we can now see the effects of transforming begin to unfold. Consider just some of the changes that are taking place:

- *Today, the missile defense research, development and testing program has been revitalized and we are on track for limited land/sea deployment in 2004-5.*
- *Today, the Space Based Radar, which will help provide near-persistent 24/7/365 coverage of the globe, is scheduled to be ready in 2012*

- *In this budget, we believe SBIRS-High is properly funded.*
- *Today, we are converting 4 Trident SSBN subs into conventional SSGNs, capable of delivering special forces and cruise missiles to denied areas.*
- *Today, we are proposing to build the CVN-21 aircraft carrier in 2007, which will include many new capabilities that were previously scheduled to be introduced only in 2011.*
- *Today, instead of 1 UCAV program in development, the X-45, which was designed for a limited mission: suppression of enemy air defense, we have set up competition among a number of programs that will produce UCAVs able to conduct a broad range of missions.*
- *Today, we are revitalizing the B-1 fleet by reducing its size and using savings to modernize remaining aircraft with precision weapons, self-protection systems, and reliability upgrades—and thanks to these efforts, I am told the B-1 now has the highest mission capable rates in the history of the program.*
- *Today, in place of the Crusader, the Army is building a new family of precision artillery—including precision munitions and Non-Line-of-Sight Cannon for the Future Combat Systems.*
- *Today, we have seen targeted pay-raises and other reforms help retain mid-career officers and NCOs, so that fewer of them leave the service while still in their prime, so the country can continue to benefit from their talent and experience.*

These are positive changes that will ensure that future Administrations will have the capabilities they need to defend the country, as well as a menu of choices which they can then select from to shape the direction of the Department a decade from now, as the 21st century security environment continues to change and evolve.

CONCLUSION

Finally, I believe that the transparency of the process we have used to develop this budget has been unprecedented. For several months now, we have been providing detailed briefings to those interested in defense here on Capitol Hill, so that Congress is not simply being presented with the President's budget today, but has been kept in the loop *as decisions were being made*. Our goal was to ensure that Members and staff have had every opportunity to better understand the thinking that lies behind these proposals. I am told that the extent of consultation from the Defense Department to the Congress this year has been unprecedented.

I hope you will take this as evidence of the fact that we are serious about our commitment to transform not only our Armed Forces, but to transform DoD's relationship with Congress as well. Whether each Member will agree with each of the individual decisions and recommendations that have been made in this budget, the fact is that it has been developed in an unprecedented spirit of openness and cooperation.

We hope that this spirit of openness and cooperation can continue as Congress deliberates this year both the President's budget and the legislation we are now discussing with you and will be sending to transform the way the Defense Department operates. We must work together to bring DoD out of the industrial age, and help get it arranged for the fast-paced security environment of the 21st century.

I close by saying that transformation is not an event—it is a process. There is no point at which the Defense Department will move from being "untransformed" to "transformed." Our goal is to set in motion a process of *continuing transformation*, and a culture that will keep the United States several steps ahead of any potential adversaries.

To do that we need not only resources, but equally, we need the freedom to use them with speed and agility, so we can respond quickly to the new threats we will face as this century unfolds.

Thank you Mr. Chairman.

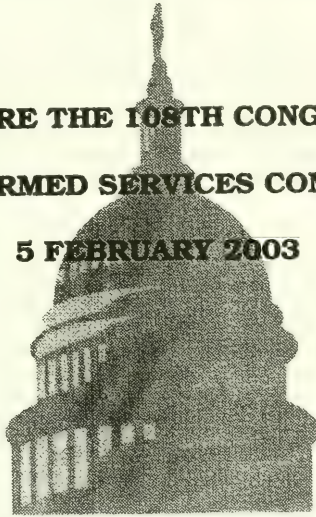
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**POSTURE STATEMENT OF
GENERAL RICHARD B. MYERS, USAF
CHAIRMAN OF THE
JOINT CHIEFS OF STAFF**

**BEFORE THE 108TH CONGRESS
HOUSE ARMED SERVICES COMMITTEE**

5 FEBRUARY 2003



It is an honor to report to Congress on the state of the US Armed Forces.

Today, our Nation's Soldiers, Sailors, Airmen, Marines and Coastguardsmen operate in an environment characterized by opportunity and danger. In the wake of September 11th, US Forces are now deployed to an unprecedented number of locations. Our forces also operate with a wider array of coalition partners to accomplish more diverse missions.

These operations are required, as the world remains a dangerous place. In recent months, terrorists have successfully conducted numerous attacks – in the Middle East, Africa and Southeast Asia. The loss of innocent lives serves as a poignant reminder that terrorists' evil has no moral or territorial limits. Coalition discoveries in Afghanistan and other places confirm that al Qaida actively seeks weapons of mass destruction. This network remains active and determined to conduct more attacks against the US and our allies.

At the same time, other threats to US interests have not abated. US Armed Forces remain focused on preparing for potential regional conflict. The proliferation of advanced technology, weapons and associated expertise has increased the probability that our adversaries will be capable in the future of fielding significantly more robust and lethal means to attack the US and our interests. In December 2002, North Korea announced that it would resume its nuclear program. Iraq has used chemical and biological weapons in the past and would likely use them again in the future. Iraq is also aggressively seeking nuclear weapons. These facts create imperatives for our Nation's Armed Forces. All the while, US Forces remain prepared to confront the consequences of factional strife in distant lands and respond to humanitarian disasters.

The President's National Security Strategy provides a new focus for our Nation's Armed Forces. Based on detailed analysis in the most recent 2001 Quadrennial Defense Review, the Defense Department adopted a new Defense Strategy. Today, we must be ready to assure our allies, while we dissuade, deter and defeat any adversary. We possess the forces necessary to defend the United States homeland and deter forward in four critical regions. If required, we will swiftly defeat the efforts of two adversaries in an overlapping timeframe, while having the ability to "win decisively" in one theater. In addition, our forces are able to conduct a limited number of lesser contingencies, maintain a sufficient force generation capability and support a strategic reserve.

At home, the establishment of the United States Northern Command (NORTHCOM) has significantly improved the preparedness, responsiveness and integration between the US military and other federal agencies defending our homeland. NORTHCOM is an integral part of the rapidly expanding interagency network supporting Homeland Defense.

Our Nation's entire Armed Forces remain as engaged today as at any time since the Second World War. The War on Terrorism remains our primary focus. In concert with other instruments of National power, our Armed Forces are tracking down al Qaida in Afghanistan and around the world. Simultaneously, we are operating in the No-Fly Zones over Iraq, enforcing UN sanctions in the Arabian Gulf, facilitating reconstruction in Afghanistan, conducting peacekeeping operations in the Balkans, supporting our partners in South America against narcotics trafficking and terrorist cells, preserving stability in the Korean Peninsula and defending the American homeland. Clearly, the American people should know that their Armed Forces are operating at a high tempo.

As a result of this unprecedented strategic environment, I have established three priorities as Chairman of the Joint Chiefs of Staff: To win the war on terrorism, to improve joint warfighting and to transform our Nation's military to face the dangers of the 21st Century. These priorities also reflect the priorities of the Secretary of Defense. Combined with the President's vision, the Secretary's leadership, the support of Congress and the selfless service of our Nation's Soldiers, Sailors, Airmen, Marines, Coastguardsmen and Civilian workforce – our Nation's Armed Forces are making progress in each of these areas.

Al Qaida was not created in a single day. It formed over the course of a decade or more prior to September 11, 2001. It cannot be destroyed in a day or a year – it will require a commitment of many years. We recognize that dangerous and difficult work remains. The following highlights recent successes and describes what additional actions are required to protect our Nation in our dynamic security environment.

War on Terrorism

For the past 16 months, the US Armed Forces, in concert with other federal agencies and our coalition partners, have conducted a determined campaign to defeat the most potent threat to our way of life – global terrorist organizations. Operation ENDURING FREEDOM has dealt a severe blow to the al Qaida transnational network. About 50 key al Qaida officials, operatives and logisticians have been killed or captured. Numerous other operatives have also been removed; however, al Qaida remains a formidable and adaptive peril to our nation and our partners.

Our successes reflect the careful integration of all instruments of national power. This war against terrorists requires the inclusive commitment of the military, financial, economic, law enforcement and intelligence resources of our Nation. On the international level, the military support and cooperation has been remarkable. Until August of last year when we determined it was no longer required, NATO provided Airborne Early Warning aircraft to supplement

our E-3 aircraft patrolling over American cities. NATO allies remain with us in Afghanistan and patrolling the oceans to interdict terrorists and their weapons or resources. More than 90 nations share our resolve and contribute daily to the goal of destroying al Qaida. As part of this effort, numerous bilateral counter-terrorist exercises and exchanges have been conducted around the world.

At the national level, the Defense Department has made numerous adjustments. The creation of the Joint Interagency Task Force for Counter-Terrorism enables the rapid flow of information and analysis from national resources to the battlefield. Likewise, Combatant Commanders established Joint Interagency Coordination Groups to share information, coordinate actions and streamline operations among military, intelligence and law enforcement agencies. At US Special Operations Command, the Counter-Terrorism Campaign Support Group combines the expertise and resources of the Departments of State, Treasury and Justice and the CIA with our Special Operations warriors at the operational level. The Counter-Terrorism Campaign Support Group fuses intelligence, interagency and military activities in a seamless organization.

Current Overseas Operations

In Afghanistan, our greatest success has been to deny al Qaida an operating haven. Today, Afghanistan has the first true chance for peace in 23 years. More than 2 million Afghan people have returned home. We are in the final stages of Phase III (Decisive Operations). Phase III has severely degraded al Qaida's operational capabilities and their ability to train new members. Their support continues to decline among the Afghan people. Pockets of Taliban and al Qaida resistance remain within Afghanistan primarily along the Pakistani border. Nonetheless, overall conditions may permit us to soon shift to Phase IV (Stability Operations). Once the President decides to move into Phase IV, we will increase the civil and reconstruction assistance to the Afghan government. Stability operations will require a great deal of support from the international community to be successful.

This past year, a key task to promote stability began with training of the Afghan National Army. The US spearheaded the development of this force with training, equipment, and force structure requirements. The Afghan National Army's first five battalions have completed basic training at the Kabul Military Training Center. More than 1,300 troops began advanced training as of December. The sixth battalion is currently in basic training and soon we will begin select officer training. The French have funded the initial salaries for the recruits for all six battalions and provided half of the training. Recently trained forces are integrating with our forces throughout the countryside. To date, the international community has donated \$40 million worth of equipment. Our

military forces will be part of an ongoing commitment to provide equipment and expertise.

The International Security Assistance Force in Afghanistan continues its role mandated by the Bonn agreement and UN Security Council resolutions. Today, Germany and the Netherlands are preparing to share leadership responsibilities of the International Security Assistance Force as they take over in February 2003. They follow the example set by the United Kingdom and Turkey. Twenty-two nations contribute more than 4,500 troops to this vital mission.

In January 2002, United States Central Command (CENTCOM) proposed a concept of operations to disrupt terrorist operations in and around Yemen. Central to this plan, CENTCOM proposed to strengthen Yemeni Special Forces capability for counter-terrorism operations and expand intelligence, surveillance and reconnaissance operations. Yemeni Special Forces have been trained on counter-terrorism tactics and procedures and are currently receiving maritime counter-terrorism training. The working relationship between the US and Yemeni Government has greatly improved as a result of this training program.

CENTCOM also established Joint Task Force Horn of Africa (JTF-HOA) as part of its Theater Counter-Terrorism Campaign. In December 2002, JTF-HOA stood up while embarked on *USS Mount Whitney*. JTF-HOA provides CENTCOM a regional counter-terrorism focus in East Africa and Yemen. It exercises command and control of counter-terrorism operations for this area. The JTF-HOA staff will remain embarked on *USS Mount Whitney* for 4 to 6 months until the infrastructure is in place ashore at Camp Lemonier, Djibouti.

Meanwhile, CENTCOM and Allied Forces continue Maritime Interception Operations in the Arabian Gulf to enforce UN sanctions against Iraq. In 2002, coalition forces diverted over 800 vessels suspected of carrying illegal Iraqi oil. This reflects a significant increase over the 115 vessels diverted in 2001.

United States European Command (EUCOM) through its Special Operations Command, Europe, began the Georgia Train and Equip Program to build a Georgian capability to deal with the terrorist presence in the Pankisi Gorge. EUCOM developed a plan to train three staffs, four battalions and one Mechanized/Armor company team. EUCOM has completed training the Georgian Ministry of Defense staff, the Land Forces Command staff and the first battalion. In December, Commander, EUCOM directed Marine Forces Europe to assume the Georgia Train and Equip Program mission, which will resume training in February. Six other allies contributed nearly \$2 million in materiel reflecting the international nature of this program.

In July, the President approved Expanded Maritime Interception Operations to interdict terrorists and their resources. With this order, the President

authorized commanders to stop, board and search merchant ships identified to be transporting terrorists and/or terrorist-related materiel. Expanded Maritime Interception Operations are focused on EUCOM and CENTCOM's Area of Responsibilities (AORs) while PACOM and the other Combatant Commanders are developing Expanded Maritime Interception Operations plans. Eleven nations provide forces for Maritime Interception Operations within the CENTCOM AOR. German and Spanish senior officers command parts of these operations -- reflecting the coalition commitment to the War on Terrorism. So far, EUCOM's Maritime Interception Operations have stopped fourteen ships. NATO maritime and air forces support the Maritime Interception Operations within EUCOM's AOR.

In Europe, we support NATO's plan to transition Stabilization Forces in Bosnia-Herzegovina to a minimal presence and Kosovo Forces to a reduced presence by the end of 2004. In the spring of 2003, the NATO Military Committee will review the proposed force structure reductions and restructuring for Bosnia and Kosovo. Our presence in the Balkans has not only promoted peace in the region, it has also enhanced our ability to conduct counter-terrorism operations.

During this past year in support of Operation ENDURING FREEDOM - Philippines, US Pacific Command (PACOM) has provided the Armed Forces of the Philippines military advice and assistance in targeting Abu Sayyaf Group terrorist activities in the Philippines. US forces could be available to provide follow-on advice and assistance if requested by the Government of Philippines, and approved by the President and the Secretary of Defense. In concert with these efforts supporting Operation ENDURING FREEDOM, Congress has approved the Security Assistance Funding necessary to provide counter-terrorism training for the armed forces of the Philippines. Training will begin in the February/March timeframe.

United States Southern Command (SOUTHCOM) continues to support counter-narcotics trafficking and counter-terrorism efforts in South America. In accordance with new Presidential policy and expanded legislative authority, we are assisting the Colombian military in its fight against designated terrorist organizations by providing advice, training and equipment. Our current operations are built on preexisting counter-narcotics missions. US troops are currently training the Colombian military to protect critical infrastructures, such as the Cano Limon Pipeline. In addition personnel will deploy in FY03 to serve as Operations and Intelligence Planning Assistance Teams at selected units to assist the Colombian military in its fight against terrorism. This assistance will continue over the next several years. The US military presence in Colombia is limited to the troop caps established by Congress, in terms of uniformed and contract personnel.

The Tri-Border Area of Argentina, Brazil and Paraguay is a focal point of increased drug and arms trafficking, money laundering, document fraud and Islamic terrorist-supported activities. US and Brazilian officials estimate that between \$10 – 12 billion USD/year flows through the Tri-Border Area, some of which is diverted to known terrorist groups such as Hizballah and Hamas.

Commander, SOUTHCOM continues detainee operations (detention and intelligence collection missions) at Guantanamo Bay, Cuba. While the Detainees are not entitled to the status of Enemy Prisoners of War, the President and the Secretary of Defense have directed that the U.S. armed forces treat them humanely and to the extent appropriate and consistent with military necessity, consistent with the principles of the Geneva Conventions. SOUTHCOM has constructed an additional 190 medium security units to augment the 816 holding units and fortified billeting structures for US military personnel assigned. Almost 2,000 US military personnel are deployed to Guantanamo Bay in support of detainee operations. The President issued an order on November 13, 2001, authorizing use of military commissions to prosecute individuals subject to the order for offenses against the laws of war and other applicable laws. To date, no one has been made specifically subject to the order, and therefore, no one has been prosecuted by military commission. The Secretary of Defense appointed the Secretary of the Army to lead war crimes investigations. A few of those detained at Guantanamo determined to be of no intelligence or law enforcement value or threat to the US or its interests, have been released and returned to their countries of origin.

We view Guantanamo Bay as a national asset that supports our work in securing intelligence vital to success in the war on terrorism and protection of our homeland. It also supports interagency and international intelligence and law enforcement efforts. Interrogations at Guantanamo Bay have resulted in intelligence of high value. Information gathered from known terrorists held at Guantanamo Bay has helped us to define and disrupt the global terrorist threat.

Unified Command Plan 2002

On 1 October 2002 we implemented the 2002 Unified Command Plan, as directed by the President. The 2002 Unified Command Plan, and its subsequent Change 1, created United States Northern Command (NORTHCOM), disestablished United States Space Command (SPACECOM) and combined SPACECOM's missions and forces with United States Strategic Command (STRATCOM), thereby establishing a "new" STRATCOM.

United States Northern Command and Homeland Security

NORTHCOM's mission is to deter, prevent and defeat threats and aggression aimed at the US and its territories. When directed, NORTHCOM provides military assistance to civil authorities, including consequence management.

Commander, NORTHCOM is dual-hatted as Commander, North American Aerospace Defense Command (NORAD). NORAD has control of the Air Defense of CONUS. Land and Maritime operations are controlled by NORTHCOM.

NORTHCOM stood up its combatant command staff and accepted Homeland Defense missions and tasks from United States Joint Forces Command (JFCOM) and other combatant commands. It has also developed a plan to reach its full operational capability. Currently, NORTHCOM is engaged with federal and state agencies, the National Guard and NORAD to plan and exercise a variety of homeland defense and civil support tasks. Simultaneously, NORTHCOM is cultivating closer relationships with our North American neighbors.

As part of this effort, NORTHCOM's Standing Joint Task Force Civil Support provides command and control for DOD forces supporting the lead federal agency managing the consequences of chemical, biological, radiological, nuclear or high-yield explosive incidents in addition to natural disasters. As such, Joint Task Force Civil Support provides a sustained planning staff that has formed a habitual relationship with key Federal and State Agencies plus communities nationwide.

NORAD's responsibilities for air and ground early warning systems and alert fighter support in defense of CONUS, Canada and Alaska remain unchanged. In addition, NORAD is identifying the infrastructure needed for the defense of the National Capital Region.

On December 9, 2002 the US and Canada agreed to create a new bi-national land, maritime, and civil support military planning group at NORAD to help examine potential responses to threats and attacks on the US or Canada. This initiative will advance our ability to defend our Nation.

Last year Operation NOBLE EAGLE flew over 14,000 sorties even while our current operations overseas required key resources. These sorties represent NORAD's contributions to Operation NOBLE EAGLE and defense of the American Homeland.

United States Strategic Command

United States Strategic Command's (STRATCOM) mission is to establish and provide full-spectrum global strike, coordinate space and information operations capabilities to meet both deterrent and decisive national security objectives. STRATCOM retains its nuclear triad of submarine, bomber and missile forces.

On 10 January 2003, the President signed Change 2 to the Unified Command Plan. This latest changed assigned four emergent missions to STRATCOM and

reflects the US military's increased emphasis on a global view. These new missions include missile defense, global strike, DOD information operations and global command, control, communications, computers, intelligence, surveillance and reconnaissance. Missile defense is an inherently multi-command and multi-regional task. STRATCOM will serve as the primary advocate in the development of missile defense operational architecture. With its global strike responsibilities, the Command will provide a core cadre to plan and execute nuclear, conventional and information operations anywhere in the world. STRATCOM serves as the DOD advocate for integrating the desired military effects of information operations. These initiatives represent a major step in transforming our military and in implementing the new strategic triad envisioned in the 2001 Nuclear Posture Review.

STRATCOM will also continue the former US Space Command's legacy of providing Space support for our Joint Team. The Global Positioning System offers an excellent example of how space systems enhance our Joint Warfighting Team. The Global Positioning System's worldwide position, navigation and timing information give US forces an all-weather, precision engagement capability. As an example of one application, the US Army fielded a blue force tracking system – a space-based tool that gives commanders awareness of their units' locations.

US military space superiority requires continued advances in space control and access along with the cooperation of our allies. The European Union, for example, is developing Galileo, a civil satellite navigation system that risks our enhancement to military GPS. As currently designed, the Galileo signal will operate in the same bandwidth as our GPS system's civil and military signals. When Galileo begins operating, its signals will directly overlay the spectrum associated with our new GPS military code. Continued negotiations to resolve this political issue with the European Union is essential to ensuring our joint team maintains the advantages of GPS in combat.

Concurrent with these on-going operations, the Services, Joint Staff and Combatant Commands have pursued a 15 percent major headquarters reduction. To date, DOD headquarters personnel have been reduced by more than 11 percent. Given commitments around the world today, any further reductions beyond those already taken could adversely impact our ability to meet the demands of the War on Terrorism, Homeland Security, global military presence and respond to any new threats. Nonetheless, the Service Chiefs, Combatant Commanders and I continue to explore ways to reduce and streamline headquarters functions.

Antiterrorism/Force Protection

Antiterrorism/Force Protection remains a top priority for all commanders. Our adversaries – unable to confront or compete with the United States militarily –

have and will continue to use terrorist acts to attack US citizens, property, and interests – to include military bases and personnel. In the FY03 budget, the Antiterrorism/Force Protection portion of the Combating Terrorism budget totaled \$9.3 billion. The terrorist threat environment has forced us to maintain a higher worldwide Force Protection Condition for longer periods of time. In the short term, this task is being met with an increase in manpower.

For example, EUCOM is currently at Force Protection Condition Bravo. In the short-term, additional troops are required to guard US military bases throughout EUCOM's theater. In the long-term, SECDEF directed us to pursue new technologies that will reduce the manpower footprint while improving force protection, as well as seeking host nation support for the force protection mission.

The Combating Terrorism Readiness Initiative Fund helped provide immediate Antiterrorism/Force Protection off-the-shelf technology to Combatant Commanders to satisfy emergent requirements that could not wait for the normal budget process or long-term technical solutions. Last year's funded systems included explosive detection systems that enhanced access control, intrusion detection systems that provided broader perimeter security while reducing manpower requirements and chemical/biological (Chem/Bio) detection systems to improve installation defense capabilities. The Department authorized \$47 million this past year for the Combating Terrorism Readiness Initiative Fund, nearly twice the FY00 expenditure.

To support the Combatant Commanders' Antiterrorism/Force Protection efforts, the Joint Staff Integrated Vulnerability Assessment Teams will visit 95 military installations worldwide this year. Joint Staff Integrated Vulnerability Assessment Teams assess physical security measures, infrastructure support and structural vulnerabilities, intelligence collection and dissemination capabilities and the installation's ability to respond to terrorist incidents. Over 500,000 personnel received "General Antiterrorism Awareness" training last year. This on-line training is now also available to DOD family members.

The Defense Department also finalized prescriptive antiterrorism engineering and construction standards to improve survivability of our personnel from the effects of an explosive device. In large part because the Pentagon renovation project followed design strategies based on these new antiterrorism construction standards, the damage and loss of life from the Pentagon attack was significantly reduced.

US Forces' antiterrorism capabilities are seen as a standard worldwide. NATO sought US military expertise to improve antiterrorism training for all NATO forces. As a result, last summer, NATO approved policy guidance that clarified Antiterrorism responsibilities for Non-Article 5 operations, delineated minimum unit Antiterrorism plan requirements and increased emphasis on weapons of

mass destruction defense and consequence management planning. The US will assist NATO to implement this important guidance.

We are working hard to expand and improve our capabilities to protect our personnel against Chem/Bio agents. DOD initiated vaccinating select segments of the force against anthrax and smallpox. Our medical treatment capabilities must expand to include improved treatment against Weapons of Mass Destruction while providing additional medical countermeasures, surveillance systems and response teams.

We improved overall Joint Force readiness by our recent procurement of improved Chem/Bio defensive protective clothing, masks and detection systems. This equipment is significantly more reliable, better at agent detection and further enhances our forces' overall capability to operate in the Chem/Bio environment.

In the area of installation protection, we have improved detection systems plus consequence management assessment and training capabilities at 23 of our overseas bases. In addition, we performed a thorough assessment of our detection and first responder capabilities at nine key CONUS installations. These lessons learned will guide development of a comprehensive plan to improve Chem/Bio defense at more than 200 bases over the next six years. Although we improved our Chem/Bio capabilities, fighting a war in this environment remains a serious challenge. Therefore, we must continue to fund research, development and acquisition projects that ensure our forces can operate successfully in this adverse environment.

Readiness for Future Operations

The readiness of our general-purpose forces, whether forward deployed, operating in support of contingency operations or in Homeland Defense, continues to be solid. US Forces are well trained and in general, possess the personnel, equipment and resources needed to accomplish the military objectives outlined in the Defense Strategy.

In light of the current pace of operations, it is notable that active US Army divisions maintain high readiness levels. US Air Force aircraft mission capable rates improved over the past six months. US Navy forces continue to meet readiness goals for both the deployed and non-deployed segments of the force. The US Marine Corps is ready to meet the demands of current and potential operations. While ongoing global operations increased the workload on the Nation's military focus, these forces remain prepared to accomplish their wartime tasks.

Materiel readiness has improved substantially in part, due to the tremendous support of Congress. One example is munitions, where recent supplemental

measures have allowed Combatant Commanders to increase stockpiles of key all-weather and advanced precision-guided munitions. These munitions enable the Joint Team to place at risk a wide array of enemy targets. Funding increases this past year dramatically increased precision-guided munitions production rates, and selected production rates should be near maximum capacity by August 2003. Continued Congressional support is critical to build munitions and materiel inventories to levels that meet warfighting requirements.

While the Force is ready, this past year significantly stressed the readiness of several critical enablers. Our intelligence forces operate under increased pressure as a result of the War on Terrorism. Key skill sets (like targeteers, linguists and police-like investigative skills) are in short supply. Recognizing this fact, our intelligence, surveillance and reconnaissance forces must mature into a more adaptable and flexible contingency collection capability. Many systems were developed to meet a Cold War threat and provide excellent force-on-force collection capability. The ingenuity of our Soldiers, Sailors, Airmen, Marines and Coastguardsmen has allowed many systems to perform a valuable role in the War on Terrorism.

The present posture of the military intelligence forces, for the long-term War on Terrorism is improving, but many challenges remain. This global war clearly demonstrates the need for persistent long-loiter intelligence, surveillance and reconnaissance platforms. Military intelligence also requires low observable unmanned aerial vehicle systems, close-access sensors and a greater emphasis on human intelligence collection. In addition, all intelligence communities must provide an information architecture that provides a "push and pull" capability for the joint warfighter, law enforcement and counter-intelligence personnel. We must shift our attitudes away from the mindset of a "need to know" to one of "need to share."

Our strategic mobility triad (airlift, sealift, and prepositioned materiel) provides us the capability to swiftly move forces around the world. The US remains the only nation who can routinely move units and materiel globally with confidence and speed. While our airlift and air refueling assets performed magnificently in support of the War on Terrorism, this high operational demand is accelerating the aging of C-5 and tanker aircraft and created unanticipated wear and tear on our C-17 fleet. As a result, strategic airlift remains one of our top priorities. The C-17 Multi-Year Procurement plus the C-5 Re-engining and Reliability Enhancement Programs are major steps to meet the minimum wartime airlift capacity of 54.5 million ton miles/day. The follow-on Multi-Year Procurement with Boeing for 60+ C-17s will bring the total C-17 fleet to 180 aircraft in 2007. As a corollary priority, replacing the 40-year-old KC-135 air refueling fleet is an essential joint warfighting requirement.

With Congressional support, our strategic sealift achieved the Mobility Requirements Study-05 goals for surge and prepositioned fleet sealift requirements. The maintenance of our organic sealift fleet remains a high priority to ensure we can deploy sufficient force to support routine and contingency operations. To support greater levels of mobilization, DOD can also access additional US commercial shipping through the Voluntary Intermodal Sealift Agreement. This Agreement is critical to ensure that adequate sealift capacity (and associated mariners) is available to support DOD requirements during wartime. We are working closely with the Department of Transportation to ensure these requirements can be met.

Our Prepositioned Materiel reduced response time in key theaters. This critical readiness program enables our success in the War on Terrorism and other contingency operations.

For intratheater mobility, the Department recognizes the Joint Venture, High-Speed Vessel as a promising delivery platform. This vessel employs off-the-shelf technology and can operate in austere locations where mature seaports do not exist. Combatant Commanders praise this vessel for rapidly and efficiently moving personnel and equipment. Future operations will also rely on strong enroute infrastructures that support strategic mobility requirements. The dynamic nature of the War on Terrorism and other potential contingencies dictates that we be prepared to establish new enroute bases to support deployments to austere locations. In addition, we must fully fund the existing enroute infrastructure to sustain its capability. Future success in operations depends upon effective training today and tomorrow.

Last May, I wrote the Congress about my grave concern over the adverse impacts and unforeseen consequences that the application of various environmental laws are having on military training and testing activities and consequentially on the readiness of our Armed Forces. Last year, Congress provided temporary relief, but only for one statute. While measuring the impact of inflexible or overbroad environmental requirements is difficult, my professional assessment is that the impacts and consequently the challenge we face in providing the most effective training weapons and sensors, has grown. Enough is known right now to convince me that we need relief. We are not abandoning our outstanding stewardship over the lands entrusted to us or retreating from environmental protection requirements. We are trying to restore balance when environmental requirements adversely affect uniquely military activities necessary to prepare for combat. I ask that you carefully consider the proposed changes that the DOD brings forward and provide the tailored relief we seek.

The current pace of operations and future potential operations continues to require the Services and Combatant Commanders to carefully manage assets and units that are in high demand, but in small numbers. The demand for

critical capabilities (such as manned and unmanned intelligence, surveillance and reconnaissance assets, special operations forces, intelligence analysts and linguists and command and control assets) increased significantly as a result of multiple contingencies. We will continue to prioritize the tasks given these critical units to preserve our surge capability for future operations.

Our number one asset remains the men and women serving in the Armed Forces. They have the educational depth, the innovative spirit and mental agility that transforms technology into an effective military force. Their service and dedication deserve our full support to seek ways to improve their quality of life. The Administration, Congress and DOD made raising their standard of living a top priority. This year's legislation provided an across-the-board military pay raise of 4.1 percent and targeted increases of up to 6.5 percent for junior personnel. This year's out-of-pocket housing expense reduction from 11.3 percent to 7.5 percent is a sound investment, as are future targeted pay increases based on the Employment Cost Index plus one half percent. Our troops and their families greatly appreciate continued Congressional support for these initiatives, plus efforts to improve family and unaccompanied housing. Such Congressional action directly impacts recruitment, retention and family welfare. I view these all as inseparable from operational combat readiness.

No discussion of those who serve is complete without mentioning the exceptional service of our Guardsmen and Reservists. In the first 15 months of OEF, nearly 85,000 of them served on active duty. Like their active duty counterparts, their service balances their duty to the Nation and their commitment to their families. These citizen-warriors, however, must also balance an obligation to their civilian employers. These past few months demonstrated our increased reliance on our Reserve Components to defend the Nation's coastlines, skies and heartland, as well as protect our interests worldwide. We also gained a deeper appreciation that today's Reserve personnel have the competence, dedication and leadership that make them indistinguishable from their active-duty counterparts

Improving Joint Warfighting Capabilities

The US Armed Forces' ability to conduct Joint Warfare is better today than anytime in our history, due in part to the tremendous support of Congress. Nonetheless, many challenges remain. Our Joint Team is comprised of the individual warfighting capabilities of the Services. To improve our Joint Warfighting capability, we must maximize the capabilities and effects of the separate units and weapons systems to accomplish the mission at hand - without regard to the color of the uniforms of those who employ them. This challenge demands that we integrate Service core competencies together in such a way that makes the whole greater than the sum of its parts. Our

operational architectures must be inclusive and not exclusive in terms of capabilities and desired effects. We must integrate - not deconflict -- our operations.

To support these efforts, on 1 October 2002, we changed the mission and focus of JFCOM. Today, the men and women of JFCOM concentrate on improving our Joint Warfighting capability as we transform to meet the challenges of the 21st Century. In the future, they will be converting strategy and policy guidance into fielded capabilities at the operational level through the development of joint concepts and integrated architectures.

JFCOM is contributing to the efforts that develop and define the Joint Operations Concept, and the related Operational Concepts, that will link our Defense Strategy and our emerging Joint Vision with Service operational concepts. It will help senior military and civilian leaders synchronize Service modernization, guide experimentation and inform acquisition strategies that will guide materiel and non-materiel improvements for the Joint Force. In support of this effort, JFCOM conducts joint experimentation to validate the operational utility of joint concepts. The results will drive changes across all areas of doctrine, organizations, training, materiel, leadership and education, personnel and facilities.

To improve Joint Warfare, we must focus on improving the accuracy and timeliness of the Commanders and Combatants' information used to command and control the Joint Force. With shared information, Commanders can integrate discrete capabilities; without it, they must segregate operations into time and space. For these reasons, we must emphasize the Joint Operations Concept to solve the interoperability challenges of our legacy command and control, communication and computer systems and ensure future systems are "born joint."

JFCOM is working aggressively towards our goal of seamless C4ISR interoperability by FY08. To achieve that goal, JFCOM will set the operational requirements and prioritize the integrated architectures under development for future battle management command and control systems. In addition, JFCOM will exercise oversight and directive authority of three major interoperability efforts: the Deployable Joint Command and Control system, Single Integrated Air Picture, and Family of Interoperable Operational Pictures. The Services and Defense agencies, in coordination with JFCOM, will retain acquisition authority for these and all other battle management command and control programs and initiatives.

We are convinced that the Deployable Joint Command and Control system under development by the Navy is the materiel and technological solution to provide intelligence processing, mission planning and control of combat operations for the Standing Joint Force Headquarters. The first Deployable

Joint Command and Control suite is scheduled for delivery in FY05. Together with the Air Force's Family of Interoperable Operational Pictures, the Army's Single Integrated Air Picture, and JFCOM's Joint Interoperability and Integration programs, this effort will allow the Joint Force to truly transform the way it plans, coordinates and executes joint operations. We need continued Congressional support for these critical battle management command and control programs.

Our experiences in Afghanistan illustrated how important timely and responsive command and control was to control sea, land and air forces in areas with primitive or nonexistent communications infrastructures. To meet this challenge in the Arabian Gulf AOR, CENTCOM deployed a prototype battle management command and control system to support its INTERNAL LOOK exercise in Qatar and for potential future operations. DOD will leverage the lessons learned from this prototype to help guide the development of future battle management command and control systems.

We must also develop command and control systems that can rapidly deploy anywhere in the world, to support joint and coalition forces with "plug and play" ease and that are also scalable to respond to changing circumstances. Programs such as the Joint Tactical Radio System, Mobile User Objective System and the Joint Command and Control capability (the follow-on to Global Command and Control System) are systems that were truly "born joint." We also must ensure that we have the necessary Military Satellite communications systems that can provide the high bandwidth required to support our forces in austere environments such as Afghanistan.

The role of command, control, communications, computers, intelligence, surveillance and reconnaissance underscores the importance of managing and developing the radio frequency spectrum. Highly mobile, widely dispersed forces require significant radio frequency spectrum to operate effectively and efficiently. This military requirement is increasing at the same time that the private sector's demand for spectrum is growing. While it is important to provide additional spectrum to meet growing industry requirements, we must ensure the availability of spectrum to provide future military requirements.

In today's dynamic strategic environment, events in one area may quickly affect events in another. This reality requires a more responsive planning process to capitalize on the improved C4 networks and where deliberate- and crisis-action planning complement each other. Improvements in war planning are required to close the time gap between deliberate- and crisis-action planning. These initiatives range from changing doctrine to developing new automated planning tools for Time-Phased Force Deployment Data (TPFDD) development. The Joint Staff, in collaboration with the Combatant Commanders' staff, is developing a single shared planning process for deliberate and crisis planning. This initiative will develop tools and processes to reduce the deliberate planning

cycle, facilitate the transition to crisis planning and exploit new technology to respond to evolving world affairs. The end results will be greatly improved flexibility for the President and the Secretary of Defense.

Improving Joint Warfighting requires more than technical solutions. My Exercise Program supports the Combatant Commanders' ability to sharpen our Soldier, Sailor, Airmen, Marines and Coastguardsmen's warfighting edge. It enables operational commanders to better train their battle staffs and forces in joint and combined operations while evaluating their war plans. It also allows DOD to enhance and evaluate interoperability among the Services. Exercises focusing on strategic, national and theater-level joint tasks consistently challenge leaders throughout DOD, interagency and allies with timely and relevant scenarios -- including terrorism, cyber attack, continuity of government and operations. Routinely, these exercises provide access to critical bases of operation around the world as venues for practicing impending joint/combined operations. These exercises also allow the opportunity to enhance the capabilities of the military forces of allied nations and ensure their continued support in the War on Terrorism. The US military is advancing and transforming at a rate that greatly outpaces our allies. We must work hard to help them close that gap.

Since FY96, the number of joint exercises decreased from 277 to 191. This resulted from the reduction of joint exercise transportation funds to \$319 million. In order to balance operational and exercise requirements, DOD limits C-17 support to 34,000 equivalent flying hours and Roll-on/Roll-off ships to 1,100 steaming days. Any further decrease in funding will force major reductions or cancellations of high-priority joint/combined exercises and have a detrimental impact on our Joint Warfighting capability.

The Defense Department will establish a Joint National Training Capability to support joint operations by leveraging live, virtual and constructive technologies. As a first step, the Under Secretary of Defense for Personnel and Readiness and I will identify specific capabilities for the establishment of the Joint National Training Capability by 1 October 2004. The Joint National Training Capability will then exercise DOD's ability to execute key joint training tasks through several scheduled annual events.

We must improve our Joint Warfighting capabilities by learning from previous operations. The Combatant Commands, Services and Joint Staff continue to capture and apply lessons learned from Operation ENDURING FREEDOM. One of the key lessons learned was the positive impact Theater Security Cooperation had on our operations in Afghanistan. It helped create the foundation that allowed our air, naval and ground forces to gain access to the region's airspace and basing. Another valuable lesson was the tremendous force multiplier of merging special operations forces on the ground with space

forces' communications and navigation capabilities to the air and naval forces' precision attack capabilities.

In addition to meeting other objectives, Joint Professional Military Education is one means to ensure that future warfighters capitalize on the lessons of the past to improve Joint Warfighting. Joint Professional Military Education develops US military leaders capable of executing the War on Terrorism, improving Joint Warfighting and transforming the force. Currently there is an ongoing Congressionally mandated independent study of Joint Officer Management and Joint Professional Military Education. This study will provide valuable insights on ways to improve and expand joint officer development. We anticipate completion of this study in early 2003.

In concert with the independent study, the Joint Staff is also exploring ways to improve Joint Officer Management and Joint Professional Military Education. We identified requirements to provide joint distance-learning programs to our Reserve Components and to active duty Non-Commissioned Officers to improve their expertise in joint operations. In a similar fashion, I directed the National Defense University to revise the CAPSTONE curriculum for newly selected Flag and General Officers. My goal is to ensure our new Flag and General Officers gain a better foundation of joint, interagency and multi-national operations at the operational level.

I charged the Joint Staff with developing recommendations for several areas of Joint Officer Management and Joint Professional Military Education that I believe need to be revised. We need one set of effective and enforceable rules for how the Services assign and manage joint billets. We must also bring the tour length requirements and recognition of joint credit in line with current operations. The Combatant Commanders and I should be the driving force in the production of Joint Specialty Officers. Finally, my goal is to make the annual report to Congress a more meaningful set of metrics that more accurately reports each Service's support of the joint community. We look forward to working with you and your staffs this year, to incorporate these changes along with those of the independent study.

In addition, joint doctrine provides the foundation for joint education, training and exercises. We are developing Joint doctrine for Homeland Security, Civil Support, Joint Close Air Support, Joint Planning, Chemical, Biological, Radiological, Nuclear and High Yield Explosives Consequence Management; and Intelligence Support to Targeting. The new Joint Doctrine Electronic Information System ensures the warfighters have the most current joint doctrine. This system also provides joint doctrine to education and training audiences. Joint doctrine continues to improve the readiness of the Joint Warfighter to operate effectively and efficiently in a complex operational environment.

TRANSFORMATION OF THE US ARMED FORCES

As the US military meets the challenges of the 21st Century, we must transform how we organize, support and fight as joint warfighters. Transforming the Joint Force requires embracing intellectual, cultural, as well as technological, change. We are in the process of revising our Joint Vision. This new vision will provide a broad description of what our Armed Forces must and can become. From our Joint Vision and the Defense Strategy, we are crafting a Joint Operations Concept. It will link the tasks given our Armed Forces to the Joint Vision, joint operating concepts and Joint Warfighter architectures. These joint concepts and architectures will provide further guidance to each Service.

In its broadest sense, the Joint Operations Concept will describe how the Joint Force will operate, while helping transform the US Armed Forces to a capabilities-based force.

The Joint Operations Concept cannot shape the future Joint Force alone. It requires experimentation and assessment to determine the value of the Service and Joint warfighting concepts in the context of future joint operations and the future environment. From these efforts, we will identify the doctrine, organization, training, materiel, leadership and education, personnel and facilities changes needed to create the future joint force. In this manner, we can scrutinize current capabilities and proposed systems to highlight gaps and identify overlapping capabilities.

Using these architectures, the Joint Requirements Oversight Council will implement methodologies to assess both legacy and proposed systems in the aggregate. As a result, the Joint Requirements Oversight Council will define and validate desired joint capabilities and derive mission area requirements. The Joint Requirements Oversight Council shall consider the full range of doctrine, organizations, training, materiel, leadership and education, personnel, and facilities solutions to advance joint warfighting. In this manner, the Joint Requirements Oversight Council will further reorient our force planning to a capabilities-based framework. The Joint Operations Concept will allow the Joint Requirements Oversight Council to adopt a synchronized, collaborative and integrated systems engineering approach to sizing and shaping our Forces.

In support of our transformation efforts, JFCOM spearheaded the Nation's first major joint field experiment with Millennium Challenge 02. Millennium Challenge 02 demonstrated a variety of new concepts and systems that enabled critical command and control, collaborative information sharing and time-sensitive targeting capabilities. These systems are essential to the fielding of the Standing Joint Force Headquarters. While Millennium Challenge 02 focused on materiel capabilities, it yielded insights critical for non-materiel

changes in doctrine, organizations, training, materiel, leadership and education, personnel and facilities.

One example was the Joint Fires Initiative, which offered an interim automated capability to manage time-sensitive target engagement. The Joint Fires Initiative enabled the Joint Task Force, Component Commanders and their staffs to use available information technology, web-based collaborative tools to accelerate the Joint Force's ability to identify, attack and assess priority targets. It blended intelligence, surveillance and reconnaissance resources, combat units and Commanders' decision processes to permit real-time execution.

A second initiative in Millennium Challenge 02 was Joint Enroute Mission Planning and Rehearsal System-Near Term. This system enables Theater and Joint Task Force Commanders to remain connected with their forward and rear headquarters when enroute to or from contingency locations. It permits a wide scale of communications and collaborative tools to prevent a "leadership blackout" during a Commander's travel.

The Joint Fires Initiative and Joint Enroute Mission Planning and Rehearsal System-Near Term are part of fielding a broader Collaborative Information Environment. Today's Collaborative Information Environment is powered by high-speed connectivity and real-time collaborative tools to share information in an unprecedented manner. This environment will permit Commanders to receive more accurate information faster. As such, it will be critical part for US Forces to operate faster than our adversaries.

To meet this challenge, the Joint Force must have access to superior information. This requires long-term investment to meet the demands of responsive, targeted, intrusive and persistent collection. Our current operational environment and the nature of these dynamic threats demand that our Joint Force have the real-time ability to monitor, track, characterize and report on moving objects and events. We must capitalize on emerging technology such as small, expendable satellites and long-dwell UAVs. These promising platforms will enable the Joint Force to gain persistent surveillance. The information gained from these platforms must not flow into stovepipes, but must be part of a "system of systems" that blends with human and technical data from strategic, theater, tactical and commercial programs.

With this improved and more complete data, the Intelligence Community must develop tools to assist in information management that can accommodate "analytic discovery" and data visualization techniques. Our military intelligence community requires a highly skilled work force trained to mine, manipulate, integrate, and display relevant information. To effectively employ these collection opportunities, new techniques and tools must be developed.

While we are expending considerable effort to make sure we procure systems that are interoperable across the services, we must continue placing emphasis on systems that allow interoperability with our Allies. A way to do this is to allow Allies to participate in many of our procurement projects. This will have the dual advantage of helping to lower project cost to the American taxpayer and increasing interoperability with those allied forces that will accompany us into the breach. The Joint Strike Fighter reflects one success story of allied and US combined procurement. The Joint Strike Fighter set the standard for how we should approach new procurements, welcoming key Allied participation in the development and production of future systems. Such an acquisition strategy will increase interoperability, help Allied transformation and reduce direct US development costs.

Transforming military forces to meet a dynamic 21st Century security environment is not a unique American task. At the Prague summit, NATO leaders agreed to establish an Allied Command for transformation in Norfolk, Virginia. The proposed NATO Command will work with JFCOM. This close and cooperative relationship will allow the US and our NATO allies to keep abreast of advances in contemporary warfare.

Our efforts to improve our allies' warfighting capabilities reach far beyond NATO. The Combatant Commanders and I share the Secretary of Defense's vision of a long-term plan to balance burden sharing, leverage US technological superiority and use a proactive Theater Security Cooperation strategy to transform allied forces into lethal, offensive-minded, combined-arms forces. This initiative is as much about doctrine, warfighting mindset and organizational structure as it is about platforms and weapon systems. Theater Security Cooperation will allow the US to modify force structure and posture to optimize the mobility, lethality and interoperability of our forward forces.

Conclusion

With Congress' support, this past year we have made progress in the War on Terrorism, specifically, and overall capabilities. Al Qaida and their global network were not created in a single day, but over a decade. At the same time, the Nation's Armed Forces must be prepared for other threats to our interests. Confronting them will require determined and disciplined use of all instruments of American power. Congressional support ensures that our military forces are the most competent and capable military tools possible.

The men and women of our Armed Forces have performed in a magnificent manner this past year. They stand ready for the challenges ahead. They deserve our best efforts in training, equipping and caring for them and their families. Thank you for the opportunity to provide my report on our Nation's finest - our Soldiers, Sailors, Airmen, Marines and Coastguardsmen.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

FEBRUARY 5, 2003

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. Please provide cost estimates with respect to current deployments.

Dr. ZAKHEIM. Based on current mobilization levels and projected demobilization schedules, we anticipate that on average approximately 148,700 reserve component members will be mobilized on active duty during FY 2003 at an estimated incremental cost of \$11.8 billion. This cost estimate includes all pay and allowances as well as personnel support costs (e.g., medical, TDY costs) associated with mobilized Reserve and Guard members. We anticipate mobilizing about 223,000 reserve component members in FY 2003 and current draft projections show demobilization reaching a plateau by the middle of FY 2004.

Mr. ABERCROMBIE. Can you tell me how much you are putting forward on the Northern Command?

Dr. ZAKHEIM. The FY 2003 NORTHCOM funding totals \$110 million and includes \$70 million for operation and maintenance, \$15 million for procurement of equipment, and \$25 million for construction of headquarters facilities.

The DOD FY 2003 Supplemental Request included \$20 million for NORTHCOM to fund expanded responsibilities within its charter in order to achieve full operating capability in FY 2003.

The FY 2004 request totals \$148 million, which includes \$143 million for operation and maintenance support and \$5 million for procurement of equipment.

Mr. ABERCROMBIE. I'm still interested in Northern Command, especially now that the command has been up and running since last October. Last year, the House added language to the Defense Authorization Act requesting a report on the implementation, organization, and budget requirements of USNORTHCOM, and I look forward to seeing that report within the next month. The budget information that the committee has been provided thus far doesn't specifically break out the Fiscal Year 2004 funding for USNORTHCOM. I would like to know the overall FY04 funding request for Northern Command and where it is in the budget. In FY03, the money was divided between several different line items in the budget—is this the case again in FY04? And last, General Myers discusses Northern Command in his testimony and cites "habitual relationships" established with federal and state agencies. Could you please elaborate on Northern Command's interaction with civilian agencies and the National Guard and what protocols, if any, have been set up for certain incidents or emergencies.

General MYERS. The total fiscal year 2004 funding request for United States Northern Command (USNORTHCOM) headquarters and subordinate units follows:

HQ United States Northern Command	\$80.5M
Joint Force Headquarters Homeland Security	\$21.2M
Joint Task Force-Civil Support	\$10.5M
Joint Task Force-Six	\$8.0M
Total	\$120.2M

In fiscal year 2004, USNORTHCOM's request is again divided between Air Force Operations and Maintenance and Other Procurement.

USNORTHCOM's partnerships at the local, state, and federal levels are key to executing its homeland defense and military assistance to civil authorities missions. These partnerships allow USNORTHCOM to plan, exercise and operate on a routine basis with Federal, State and local authorities plus first responders. By allowing the military and civil experts to work together in a recurring level allows them to force a "habitual" and beneficial relationship. The Command has established a Joint Interagency Coordination Group to coordinate interagency plans, exercises and operations. The Federal Bureau of Investigation, Central Intelligence Agency, the Federal Emergency Management Agency and other agencies have assigned full-time liaison officers to USNORTHCOM. In addition, in February 2003, the Command exercised with 55 local, state and federal agencies across a broad spectrum of scenarios.

United States Northern Command's success is linked to a strong relationship with the National Guard Bureau (NGB). Through the NGB headquarters, USNORTHCOM communicates with state units for planning and to maintain situational awareness of National Guard activities.

Mr. ABERCROMBIE. Please provide cost estimates with respect to current deployments.

Dr. ZAKHEIM. Based on current mobilization levels and projected demobilization schedules, we anticipate that on average approximately 148,700 reserve component members will be mobilized on active duty during FY 2003 at an estimated incremental cost of \$11.8 billion. This cost estimate includes all pay and allowances as well as personnel support costs (e.g., medical, TDY costs) associated with mobilized Reserve and Guard members. We anticipate mobilizing about 223,000 reserve component members in FY 2003 and current draft projections show demobilization reaching a plateau by the middle of FY 2004.

QUESTIONS SUBMITTED BY MR. BARTLETT

Mr. BARTLETT. The 2001 Quadrennial Defense Review identified the following baseline judged to be moderate operational risk:

- 12 Aircraft Carriers
- 12 Amphibious Ready Groups
- 55 Attack Submarines
- 116 Active and Reserve Surface Combatants

Please provide the committee an update of the number of battle force ships, by type or class, required to meet current defense planning guidance.

Secretary RUMSFELD. In the 2001 Quadrennial Defense Review, the Department took the first steps in moving to a capabilities-based planning approach, which focuses less on the size of service combat structures and more on the capabilities needed to execute the U.S. Defense Strategy. Since the QDR, the Department has made further strides in evolving its planned combat organizations to meet strategic guidance. For example, the Navy is moving to a total of 37 strike groups to carry out worldwide operations—12 Carrier Strike Groups, 12 Expeditionary Strike Groups, 9 Strike and Missile Defense Action Groups, and SSGNs to provide covert strike power and SOF insertion. In all, the Navy's "Battle Force" will reach 305 ships by Fiscal Year 2009. This force meets the demands of the Defense Strategy.

QUESTIONS SUBMITTED BY MR. MCKEON

Mr. MCKEON. As you know, Homeland Defense is a crucial part of the President's budget. My staff was recently briefing regarding a system that could benefit the California National Guard. This system called the AirSite Backhaul System—produced by a Company called AirNet Communications—would allow for states to have secure communications up and running should a terrorist strike occur. The natural organization for this operation would be the National Guard. Would you please provide me and my staff with the name of an individual that will assist in identifying the right location to fund this project? I am aware that the California National Guard has been looking at utilizing this equipment. I would appreciate an update as to where the Department of Defense believes this product can be best utilized.

Secretary RUMSFELD. Representative McKeon, the Office of the Assistant Secretary of Defense for Homeland Defense, Paul McHale, can assist you in examining options for employment and funding for this proposed technology.

Mr. MCKEON. I am deeply concerned about the industrial base capability of the Department of Defense. Each year, we are hemorrhaging industry capability. I want to raise to your attention a company in Southern California called Phaostron. This small sole source defense contractor makes valves and what I call widgets for nearly every aircraft in our fleet. Unfortunately, they have been targeted by the Environmental Protection Agency for a fine that is highly questionable. If the EPA is allowed to proceed with their "fine", this small sole source contractor will be forced out of business by the EPA and force the Department of Defense to pay a larger penalty than the one that the EPA is trying to administer. In my opinion, this simply does not make good fiscal sense when we are trying to keep deficits down and pay for a war on terrorism and potentially one with Iraq. Mr. Secretary, will you and DUSD(IP) Suzanne Patrick take a personal interest in this case and report back to me on how the Department can assist in keeping this Southern California contractor strong and viable?

Secretary RUMSFELD. While the Department of Defense has no role in Environmental Protection Agency enforcement actions, we are concerned about the defense industrial base and particularly about any potential loss of a sole source domestic supplier. Phaostron's situation was brought to the Department's attention when representatives from the company contacted the Deputy Under Secretary of Defense (Industrial Policy) in December, 2002. Subsequently, we conducted a thorough review of the Department's supplier base for the products supplied by Phaostron, with input from the military departments and defense agencies. We were pleased to learn that there are cost-competitive alternative sources for those products.

As Phaostron resolves its EPA difficulties, we trust that the company will continue to participate in the DOD market.

QUESTIONS SUBMITTED BY MR. REYES

Mr. REYES. After September 11th, military forces were deployed to the United States-Canadian border, for the purposes of detecting possible terrorist activities. Their actions were limited to sighting and reporting, but they were prohibited from surveillance and monitoring activities—in essence, they could report suspicious activities but could not keep an eye on the situation. Due to the rugged terrain, geographic isolation, and long response time in many of the areas, the individuals could be long gone by the time law enforcement arrived. It would seem better to allow troops greater responsibilities while waiting for the arrival of the Border Patrol. If the President decides to go to war with Iraq, and military units are activated for purposes similar to those following September 11th, what is your position on the detection and monitoring responsibilities and capabilities of those deployed troops?

General MYERS. The Armed Forces of the United States have a mission that is separate and distinct from that of the Border Patrol. Although there are some similarities in their tasks, the Armed Forces' mission is limited by law to assisting the Border Patrol in various roles. The Department of Homeland Security has not indicated a requirement for additional military support for border security, and I do not see a need at this time to modify how we use our Armed Forces to augment our Border Patrol.

QUESTIONS SUBMITTED BY MS. TAUSCHER

Ms. TAUSCHER. I was concerned to read in the Los Angeles Times on February 3 that the Pentagon has launched a \$1.26 billion program to design computers to determine when nuclear weapons might be used to destroy deeply buried targets potentially harboring chemical, biological and even nuclear agents.

At a time when this committee has still not received the report required in the Fiscal Year 2003 defense authorization bill on the potential uses of the robust earth penetrator or whether or not we can still use conventional weapons to defeat hardened targets, I am deeply concerned that the Administration is pushing the envelope on trying to design a new generation of smaller, more usable nuclear weapons, creating a more unstable and dangerous world.

Disconnected from the practical use we made of conventional force, diplomacy or inspections in Afghanistan and to deal with Iraq and North Korea, the Administration, through a series of pronouncements—from the Nuclear Posture Review, the National Security Strategy and most recently, the National Strategy to Combat Weapons of Mass Destruction—has outlined a security posture for the United States that puts the emphasis on preemptive strikes and on the offensive use of nuclear weapons.

I'd like to know A) whether or not the program described in the article is under development and B) what circumstances you believe would justify the use of nuclear weapons by the United States?

Secretary RUMSFELD. The Department does not have a program under development as described in the Los Angeles Times article of February 3, 2002, "Making Nuclear Bombs Usable." The article creates an incorrect impression that the Administration is deliberately trying to lower the nuclear threshold and make nuclear weapons more usable. The primary basis of the article is a Defense Threat Reduction Agency (DTRA) request for proposals related to a 10-year multi-source research effort aimed at better understanding and exploiting potential weaknesses of hardened and deeply buried facilities such as chemical and biological weapons bunkers and finding means to defeat them. The DTRA study aims at providing the information we need to develop improved non-nuclear means to disable or destroy such facilities.

The article selectively extracts language from a DTRA Indefinite Delivery/Indefinite Quantity (ID/IQ) contract solicitation (DTRA01-03-R-0005) posted January 29, 2003, and ascribed the estimated contract ceiling value to the nuclear earth penetrator. There are similarities between words in the article and the hard and deeply buried target defeat Advanced Concept Technology Demonstrator sample task Statement of Work. The maximum amount assigned to the overall 10-year Weapons of Mass Destruction ID/IQ contract is \$1.26 billion, that could be a figure that matches the "program" amount referred to in the article.

However, the ID/IQ contract covers many tasks unrelated to efforts that would be related to a nuclear earth penetrator. There is one task that includes a small effort related to the effects and consequence analysis of penetrator weapons (conventional and non-conventional) which is what the newspaper article quoted. Its estimated value is between \$200K to \$400K per year, maximum. None of the activity under the DTRA contract would qualify as a development program under the Department's acquisition system.

Ms. TAUSCHER. What circumstances [do] you believe would justify the use of nuclear weapons by the United States?

Secretary RUMSFELD. As stated in the DOD Annual Report to the President and the Congress (August 2002), "Nuclear forces continue to play a critical role in the defense of the United States, its allies and friends. They provide credible capabilities to deter a wide range of threats, including weapons of mass destruction and large-scale conventional military force. Nuclear capabilities possess unique properties that give the United States options to hold at risk classes of targets important to achieve strategic and political objectives."

Under U.S. law, the President is the only person entrusted with the authority to direct the use of nuclear weapons. I can only speculate that any U.S. President would consider using nuclear weapons only in the most serious of circumstances and in which the stakes involved were extremely high.

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. As you know, particularly in the War on Terrorism, linguistic ability is invaluable to the military.

Can you please detail the amount you are requesting in Fiscal Year (FY) 2004 and throughout the FYDP to provide training for defense linguists?

Secretary RUMSFELD. The FY 2004 budget submission requests \$81.9 million in FY 2004 and \$471.6 million over the FYDP for operation of the Defense Language Institute Foreign Language Center (DLIFLC) to conduct basic language instruction for initial entry students and foreign area officers plus continuing learning programs for active and reserve forces. Estimated additional funding of \$18.0 million in FY 2004 and \$90.0 million over the FYDP is contained within Combatant Command, Service and Agency requests to provide for maintenance and enhancement of language skills.

Ms. DAVIS OF CALIFORNIA. Is that training done only at DOD-owned institutions?

Secretary RUMSFELD. The DLIFLC provides instruction through interdepartmental agreements and commercial language services for certain languages with low volume of student requirements. Major commands within the military departments and Defense agencies frequently contract with commercial language schools or study abroad programs.

Ms. DAVIS OF CALIFORNIA. Specifically, how many linguists will that funding provide and in which areas? Can you describe in general the retention of personnel with these skills?

Secretary RUMSFELD. Approximately 3000 initial entry personnel and foreign area officers will receive basic language instruction in FY 2004. The DLIFLC funding will also provide for non-resident maintenance and enhancement training of about 3,500 personnel. Funding from Service Departments and Agencies will provide additional initial and continuing language education to about 4000 military and civilian personnel. Basic language instruction will be conducted in over 50 languages with emphasis on the languages needed in the Iraqi Freedom and Global War on Terrorism campaigns.

The estimated retention rate for all language specialists beyond first term enlistments is 40%.

Ms. DAVIS OF CALIFORNIA. Does DOD cooperate with or share personnel with other federal agencies to obtain on a permanent or temporary basis personnel with linguistic skills?

Secretary RUMSFELD. Government agencies frequently cooperate to utilize the linguistic skills of personnel. Through interagency coordination, both military and civil-

ian personnel are shared, particularly when linguistic skills are required in foreign languages for which no government agency has requirements.

Other government agencies share personnel who have specific linguistic skills with DOD when such skills are: available within the agency, required and requested by DOD, and not mission critical to the owning agency.

Ms. DAVIS OF CALIFORNIA. Is there linguistic capability that is needed but that the Department does not have the necessary resources? If so, do you have a plan to address this need?

Secretary RUMSFELD. Language is a scarce commodity in high demand under the best of circumstances. Naturally, there are some languages that are scarcer than others. While our personnel are fluent in almost every language of the world, increased demand/OPTEMPO has put a strain on these resources.

Language is a key Defense capability. It is difficult to maintain an organic capability sufficiently robust to meet present and emerging needs. Therefore, in the interim we rely on contracted linguists to supplement our force. However, we are reviewing language assets in a holistic manner and developing an end-state approach for active, reserve (to include a new Individual Ready Reserve program), contractor, and civilians to include those employed by DOD and those who might be able to augment as necessary, including local ethnic communities.

Ms. DAVIS OF CALIFORNIA. What percentages of DOD linguists are uniformed and civilian?

Secretary RUMSFELD. Based upon a population of 11,000 military and civil servant language specialists, 82% are in uniform and 18% are civilian.

Ms. DAVIS OF CALIFORNIA. Have you considered whether the active component or the reserve component is the best place for these skills, and if not, could you please give me your thoughts on whether the reserve component is a better place?

Secretary RUMSFELD. Both. The military services operate under the concept of "the total force." As such, we wholeheartedly embrace the leveraging of assets and application of complementary skills in the accomplishment of this, and any other mission, whether in the Active or Reserve component.

Further, we are enhancing our Direct Entry Individual Ready Reserve (IRR) program to accommodate individuals whose civilian professions and skills are in demand and who express a desire to serve, thus further augmenting the total force by providing trained assets to support military missions.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. A new round of base closings seems to be on track despite the increased tempo of our armed forces. Are you still committed to reducing facility infrastructure by 25%?

Secretary RUMSFELD. No, the Department is not committed to any specific level of infrastructure reduction. As I stated in my November 15, 2002 memorandum, "Transformation Through Base Realignment and Closure," BRAC 2005 should be the means by which we reconfigure our current infrastructure into one in which operational capacity maximizes both warfighting capability and efficiency. I did not specify any infrastructure reduction targets to achieve this goal.

Mr. MILLER. I am aware of the infrastructure and force structure process, but if you are continuing to present this theory of excess, then you must have something in mind to back up your beliefs. Where do you expect to find this 25 percent?

Secretary RUMSFELD. We believe, for example, that more extensive study of joint basing use and cross Service functional analyses could provide better utilization of our infrastructure than the Service-specific analyses conducted in previous BRAC rounds. Only a thorough BRAC analysis can indicate where unnecessary infrastructure can be precisely and prudently eliminated.

Mr. MILLER. Do you see a continued role for Special Operation Forces and more specifically, a joint force concept whereas we will no longer have Air Force Bases and Army Forts but joint force complexes?

Secretary RUMSFELD. Yes, I see a continuing role for Special Operations Forces. During the upcoming BRAC process, the Department will look specifically at cross-service functionality. Only through a complete review process will we be able to assess adequately the best course of action to support the expanding joint force concept.

General MYERS. Yes, I see a continuing role for Special Operations Forces. During the upcoming BRAC process, the Department will look specifically at cross-service functionality. Only through a complete review process will we be able to assess adequately the best course of action to support the expanding joint force concept.

Mr. MILLER. What is the status of implementing new testing and evaluation policy legislated in the FY 2003 Defense Authorization Act that mandates the creation of a director for the newly established Test & Evaluation Resource Enterprise? And if that three-star general is expected to report to Secretary Aldridge, how does that impact the efficacy of the director of Operational Test and Evaluation, which reports to you?

Secretary RUMSFELD. The Department is currently staffing a charter for this organization and intends to formally establish the Defense Test Resource Management Center (DTRMC) in April. The DTRMC reporting structure will not adversely affect the efficacy of Director, Operational Test and Evaluation (DOT&E) because the DTRMC will coordinate with DOT&E all test and evaluation facility and resource matters that impact Operational Test and Evaluation, Live Fire Test and Evaluation, and Joint Test and Evaluation. The Director, OT&E will still maintain his independence in reporting to me on all Test and Evaluation matters under his purview.

Mr. MILLER. What is the perceived role for government in developmental testing? And why does the Department of Defense permit developmental testing to be conducted at non-governmental sites when government facilities are available?

Secretary RUMSFELD. Developmental testing verifies a system's performance, provides an indication of technical maturity, and confirms the design meets specifications. The Department of Defense has a wide-range of responsibilities in this regard, including the planning, conduct, and oversight of the developmental testing process. Program Managers have a responsibility to develop a well executed, cost-effective test plan. They have the flexibility to use either contractor or government facilities, as appropriate to fit the particular requirements of individual programs. This minimizes the time it takes to satisfy test objectives, consistent with sound business management practice.

Mr. MILLER. As you know, last year seven countries were invited to join NATO. Do you believe these countries can immediately contribute to the effectiveness of the US Armed Forces?

Secretary RUMSFELD. Yes. These seven countries have demonstrated their ability to contribute immediately through their military deployments to support Balkans operations (SFOR and KFOR), Operation Enduring Freedom (OEF), the International Security Assistance Force (ISAF) in Afghanistan, and the war on Iraq. All seven invitees have put their personnel in the field to support the U.S. and NATO. These contributions include military police in Kosovo, hosting U.S. tanker aircraft, deployment of Special Operations Forces to Afghanistan to support OEF, deployment of an explosive ordnance disposal (EOD) team to ISAF in Afghanistan, and deployment of NBC defense units for the war on Iraq.

Mr. MILLER. A new round of base closings seems to be on track despite the increased tempo of our armed forces. Are you still committed to reducing facility infrastructure by 25 percent?

General MYERS. I am committed to reducing and realigning facility infrastructure, where appropriate. The April 1998 Report of the Department of Defense on Base Realignment and Closure (BRAC) estimated approximately 23 percent of DOD's base capacity is excess to support forces projected for 2003. This is only an estimate. Only a thorough BRAC analysis can indicate how much and where unnecessary infrastructure can be prudently realigned or eliminated.

Mr. MILLER. I am aware of the infrastructure and force structure process but if you are continuing to present this theory of excess then you must have something in mind to back-up your beliefs. Where do you expect to find this 25 percent?

General MYERS. In the April 1998 Report of the Department of Defense on Base Realignment and Closure, Department of Defense estimated that it had approximately 23 percent excess base capacity. In its review of that report, the GAO stated: "... our prior work supports the report's general conclusion that DOD continues to retain excess capacity." However, any estimate of excess capacity is just an estimate—only a thorough BRAC analysis can indicate how much and where unnecessary infrastructure can be prudently realigned or eliminated.

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General MYERS. The Secretary of Defense may have a more detailed response. From my prospective the Department is staffing a charter for this organization and intends to formally establish the Defense Test Resource Management Center (DTRMC) in April. The DTRMC reporting structure does not appear to adversely

affect the efficacy of Director, Operational Test and Evaluation (DOT&E) because the DTRMC will coordinate with DOT&E all test and evaluation facility and resource matters that impact Operational Test and Evaluation, Live Fire Test and Evaluation, and Joint Test and Evaluation. DOT&E will still maintain their independence in reporting on all Operational Test and Evaluation matters.

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Mr. MILLER. "As you know, last year seven countries were invited to join NATO. Do you believe these countries can immediately contribute to the effectiveness of the U.S. Armed Forces?"

General MYERS. Yes. The seven invitees—Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia—through their military contribution to NATO coalition operations in the Balkans, the war on terrorism, and operations in Iraq, have clearly demonstrated their willingness and ability to contribute to NATO and U.S. operations in multiple theaters. All seven invitees are troop-contributing nations to operations in the Balkans. All seven are providing forces or capabilities in support of on-going military operations in Afghanistan. Finally, all invitees are supporting, politically and/or militarily, the coalition operation in Iraq.

Mr. MILLER. "As you know, last year seven countries were invited to join NATO. Do you believe these countries can immediately contribute to the effectiveness of the U.S. Armed Forces?"

General MYERS. Yes. The seven invitees—Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia—through their military contribution to NATO coalition operations in the Balkans, the war on terrorism, and operations in Iraq, have clearly demonstrated their willingness and ability to contribute to NATO and U.S. operations in multiple theaters. All seven invitees are troop-contributing nations to operations in the Balkans. All seven are providing forces or capabilities in support of on-going military operations in Afghanistan. Finally, all invitees are supporting, politically and/or militarily, the coalition operation in Iraq.

Mr. MILLER. Do you see a continued role for Special Operation Forces and more specifically, a joint force concept whereas we will no longer have Air Force Bases and Army Forts but joint force complexes?

Secretary RUMSFELD. Yes, I see a continuing role for Special Operations Forces. During the upcoming BRAC process, the Department will look specifically at cross-service functionality. Only through a complete review process will we be able to assess adequately the best course of action to support the expanding joint force concept.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—SECRETARY OF THE ARMY; ARMY CHIEF OF STAFF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, February 12, 2003.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order. Today the committee will consider the fiscal year 2004 budget request of the Department of the Army.

I am pleased to welcome back Secretary Tom White and General Eric Shinseki, Army Chief of Staff, to discuss the various elements of the proposed program for the Army.

And before proceeding further, I would like to take a moment to recognize General Shinseki's long and distinguished service to the Nation and to the men and women of the United States Army. And, General, I know we are going to continue to work closely over the coming months, but this is going to mark your last budget posture presentation before this committee, and I think it is only appropriate that we recognize your service and thank you for all you have done to further the goals and future of the United States Army. Thank you very much.

General SHINSEKI. Thank you very much, Mr. Chairman. It is kind and very generous of you to do that.

The CHAIRMAN. Well, thanks for your service. You are a model General of professionalism and all of the things that literally tens of thousands of young folks aspire to when they put that uniform on, and lots of them are going into operational status at this point in what can be described as a pretty dangerous theater. Your leadership has been very important in terms of putting them in a position and equipping them and preparing them for this challenge that we face.

I find it somewhat ironic to read the daily stream of press reports that characterize the President's defense budget request as a huge and historic increase in spending, and I raise this because perhaps no other element of the overall element defense budget better characterizes the dilemma facing the military services than the Army budget.

This budget request does make—it does continue to make careful investments in key areas to enhance pay and benefits, qualify of life for our troops and training and sustainability of our forces, and it also makes significant enhancement in important research and development programs. But as in years past, these enhancements come at a steep price in terms of the trade-offs.

The overall Army request for fiscal year 2004 is 93.9 billion, an increase of 3 billion above the current year. However, those numbers reflect a cut of 2.3 billion in the Army's procurement program, which was already on life support from a decade of neglect. Part of this cut results in the cancellation of 24 Army programs in order to harvest 1.6 billion in fiscal year 2004 and around 14 billion over the 5-year program for other priorities.

I am eager to hear your case as to why we can abruptly afford to shelve these programs which form the backbone of our current heavy ground combat capability. I understand the budgetary argument. What I need to hear, and I think what we all need to hear is a military argument that supports a notion that we can afford to walk away from modernizing our heavy forces at this juncture without accepting significant risk in terms of loss of combat power.

There are numerous other aspects of the proposed Army program that deserve mention, but I think it best to allow them to be explored more fully during today's hearing and the dozens of subcommittee hearings that will follow examining this budget request in greater detail.

And so before our guests make their presentations, I would like to call on my colleague and partner, the gentleman from Missouri, Mr. Skelton, for any remarks he wants to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 175.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Thank you so much, Mr. Chairman. Mr. Secretary, General Shinseki, we welcome you.

I can only echo, General Shinseki, what Chairman Hunter said about you, that what a tremendous soldier you are and you have been. In my estimation, General, you are a living example of being all that you can be, and we thank you for that.

General SHINSEKI. Thank you, sir.

Mr. SKELTON. Let me say how proud we are of all of our soldiers and what they provide every day. They continue to fight terrorism in Afghanistan, training others to battle terrorism in such place as the Philippines and Georgia, poised to disarm Iraq if the President gives that order. And the strains are enormous for our soldiers, their families, and I hope you will tell them how grateful we are.

Given these sacrifices, I worry that we are asking our soldiers to do too much with too little. As you know, I have been concerned for years about the adequacy of our Army end strength, and yet the strains have never been greater than they are today.

I also have a concern—should we get the personnel situation right, my concern is about the dip in the Army procurement spending. Cutting and restructuring programs makes sense. We all want

to make the best use of the taxpayers' money, but I know the great plans that you have for the Army's Stryker, with a 'y,' that are integral to the Army's objective force, but I am concerned that we may be mortgaging our present too greatly to pay for great systems in the future.

Mr. Chairman, with that I will ask that my entire statement be set forth in the record in total, but let me welcome Secretary White, General Shinseki. We look forward to their testimony. Thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 179.]

Mr. McHUGH [presiding]. I thank the gentleman from Missouri. Without objection, not only will your statement be entered in the record, but also the entire statement of both of our witnesses. And, Mr. Secretary, thank you for being with us this morning. The floor is yours.

STATEMENT OF HON. THOMAS E. WHITE, SECRETARY OF THE ARMY

Secretary WHITE. Thank you, Mr. Chairman, Congressman Skelton, distinguished members of the committee. As you suggest, we will submit the Army posture statement for the record, and I will keep my remarks short.

General Shinseki and I are grateful for this opportunity to speak to you today about the Army. Our priorities remain the same: Win the war, the Global War on Terrorism, and transform our Army.

First and foremost, I wish to thank you for your continued support of the Army. The 2003 budget has allowed us to make significant improvements in many key areas. We have structured our budgeted priorities for 2004 to reflect the same priorities as 2003: People, readiness and transformation.

As was said by General Abrams when he was Chief, people are not in the Army, they are the Army. In 2004 we continue to build on the programs you supported in 2003. We budgeted a targeted pay raise, significantly reduced soldier out-of-pocket expenses for housing, and accelerated the residential communities initiative to improve on-post quarters for soldiers and their families.

This year we are examining options for a unit manning initiative that will enhance the cohesion and combat readiness of our formations, while improving the predictability of assignment patterns for Army families. As you know, we have over 30,000 National Guard and Reserve soldiers on active duty consistently since 9/11/2001, some 18 months ago, almost 18 months ago. And, of course today, we have 114,000 activated as we proceed, and that represents a significant deployment, probably without question the largest since Desert Storm. These Reserve component soldiers are performing magnificently, and we appreciate the tremendous support they have received from their employers as well as the American public.

We recognize the unique sacrifices made by these citizen soldiers as they step up to do their duty as citizens and patriots.

In readiness, the Army is ready for any additional operations we are ordered to perform in the future, and our outstanding soldiers are successfully meeting many current obligations around the

world, and many of you have traveled and seen them in their forward deployments.

In the 2004 budget, we fully fund OPTEMPO requirements for the force, and for the second year in a row significantly increase our spares account, while accelerating the fielding of soldier support items and unit communications equipment to make sure our units are as ready as possible.

However, as the Secretary of Defense discussed with you, costs associated with ongoing operations in the war on terrorism and preparations for future operations were not budgeted for either in the current year or in 2004. Those additional funding requirements will have to be dealt with in supplemental funding requests.

In transformation, we are transforming our Army even as we execute combat operations and prepare for future contingencies, which we think is an absolute imperative.

There will not be an operational pause that we can take advantage of to transform the Army and we can't wait. The 2004 budget request includes funding for our fourth Stryker combat brigade team, which will be the Second Armored Cavalry Regiment.

We have restructured the Commanche helicopter program focus on the armed scout mission and posture to successfully meet acquisition Milestone B in May of this year for the Future Combat System (FCS).

The Army 2004-2009 program makes a clear and unambiguous statement about Army priorities in risk management. We are committed to transforming the Army and have allocated funds to complete the fielding of our six Stryker brigades, the Commanche, the Future Combat System, and all other transformation-related programs.

The Future Combat System, not line-of-sight variants, is scheduled for fielding in the initial increment of platforms for FCS, satisfying the cannon requirement previously addressed by Crusader. Now, obviously balancing near, mid and far-term risks while focusing on transforming the Army requires us to make some tough choices, as the chairman talked about in his remarks.

We have had to terminate or restructure a number of legacy force modernization programs to fully fund transformation. Further, we have had to make the hard decisions to put additional resources into our spares line at the expense of base operations.

We made those decisions consistent with our top priorities of supporting people, readiness and transformation, while taking prudent risk in our legacy force and infrastructure accounts, but it is not easy.

In conclusion, I wish to speak to our soldiers. Their performance in Afghanistan and other places speaks volumes. In the dead of winter in Afghanistan, in a land-locked country, in the toughest terrain imaginable, they collapsed the Taliban regime, put al-Qaeda on the run. It has been my privilege to visit them in Afghanistan, and Kuwait and Bosnia, Kosovo, numerous posts around the world. You will not meet a finer group of young Americans.

They possess the physical toughness to fight at 10,000 feet in freezing temperatures, the tactical savvy to defeat committed opponents, and the mental agility to transition from warfighting to training the new Afghan Army.

I am occasionally asked about the toughness of our younger generation of soldiers. I tell you and everyone else who asks, don't be concerned. Our youngsters today carry on the legacy carved out by their predecessors at Normandy, the frozen hills of the 38th Parallel in Korean, the jungles of the Ashau Valley.

In my 40-year affiliation with the Army, they are flat out the best soldiers I have ever seen, and the Chief and I and everyone else are extremely proud of them.

Thank you for this opportunity to discuss the posture of the Army, and I look forward to your questions.

[The joint prepared statement of Secretary White and General Shinseki can be found in the Appendix on page 183.]

Mr. MCHUGH. Thank you, Mr. Secretary.
General.

STATEMENT OF GEN. ERIC K. SHINSEKI, CHIEF OF STAFF OF THE ARMY

General SHINSEKI. Mr. Chairman, Congressman Skeleton, first thank you again for the very kind and generous remarks. In complimenting this soldier, you have complimented soldiers in the Army. Thank you for your generosity.

I am honored to join Secretary White in representing the Army before the members of this committee. Today soldiers are defending our freedom in the war on terrorism, but they do that alongside sailors, airmen, Marines, Coast Guardsmen, active and reserve components alike.

All are serving magnificently, and so the Secretary and I welcome this opportunity to report to you once again on the readiness of our soldiers, the best led, the best trained, and the best equipped Army in the world. And as he has identified, and as many of you have traveled over the last six months, I have also visited soldiers in a number of locations, to include Walter Reed Medical Center, and I will tell you that I am immensely proud of what I have seen everywhere I go.

More than 198,000 soldiers are forward stationed as we speak. More than 114,000 Reserve Component (RC) soldiers have been mobilized. Tough, focused, determined. They are ready to fight and win our Nation's wars decisively, this war on terrorism and any others we might be sent to fight.

Three and a half years ago we knew there was a war in our future. We just didn't know where, when or against whom. The relative predictability of the Cold War we had all gotten to know, and around which we had designed our forces, had given way to less predictability, and some would say unpredictability, and that unpredictability was complicated by things that we didn't quite understand. This growing complication of organized crime, terrorism, narcotrafficking and the proliferation of weapons of mass destruction, we were all concerned about and had difficulty seeing.

The collision of these factors gave rise to asymmetric threats we were all concerned about, and we felt—we in the Army felt we required more responsive, more deployable, more agile, more versatile, more lethal and survivable, and certainly more sustainable formations than we have in the force today, the force around which we designed for the Cold War.

Voices inside and outside of the Army called for change. While changing direction in a large and complex organization like the United States Army is not easily done, especially when we were eminently successful in our last major outing, that being Desert Storm, comprehensive and fundamental change demands a shared vision, demands determination, demands incredibly hard work, and a deep and abiding commitment to excellence.

And it takes time, it takes patience, and it takes the unwavering support of the administration and the Congress to deliver on the Army's strategic vision. The Army has enjoyed significant support. For that reason we are transforming rapidly today to be better postured for the crises in the future, even as our soldiers are fighting today this war on terrorism, and even as they stand by for orders, other orders in a hundred camps and stations, as I say, even as we speak.

Our soldiers bear the risks we can only hope to estimate in our planning scenarios. Mitigating those risks while fulfilling our national security responsibilities is what Army transformation is all about. To mitigate risk we structured transformation to occur along three mutually supporting axes for change.

On one we preserve the readiness of today's legacy force. On another we bridge the operational gap discovered about ten years ago, the operational gap between today's heavy and light forces, with six Stryker brigade combat teams. On the third we developed future concepts and technologies that will provide a capabilities overmatch in the objective force that we intend to field before the end of this decade.

Now, to balance all of these requirements we continue, as the chairman, you have alluded, we continue to make difficult decisions about how to prudently spread our fundings over those decisions. The Army's fiscal year 2004 budget strikes the right balance, preserving readiness in today's formations while investing in capabilities that contend with the mid- and long-term threats. However, costs associated with the war on terrorism, as the Secretary has pointed out, is not reflected in our budget request, and currently we are covering those costs roughly at about \$650 million each month with fiscal year 2003 third and fourth quarter resources that we have cycled forward.

The continued support of this Congress remains essential to our readiness. We have said for some time now that soldiers are the centerpiece of our formations, that people are the engine behind all of our magnificent moments as an Army. That is certainly our history.

Their well-being is the human dimension of this thing we call Army transformation. Thanks to your help with housing, barracks improvements, pay raises, health care, long overdue and myriad other well-being programs, we are doing better than ever at taking care of our people, making this transforming Army the right place to raise families. Our people, soldiers, civilians, retirees, veterans, and all of their families appreciate their support more than I can say.

In this Army warfighting readiness doesn't wear wheels or tracks or come in on skids; it wears boots, and we have pushed hard to generate those enabling technologies that give soldiers the edge

and capabilities today. Land warriors' superior body armor is protecting our soldiers in Afghanistan today. We are using robots in caves and putting antitank warheads on unmanned aerial vehicles today. Our technology investments are giving us unprecedented Blue Force Tracking capabilities today.

Last July, during the largest joint exercise in our history, an exercise called Millennium Challenge 2002, we air delivered a Stryker platoon onto a dirt strip at the National Training Center at Ft. Irwin, California. They exploited momentum achieved by a battalion by the 82nd Airborne Division in their airborne insertion and airfield seizure operation.

This was eight weeks after Strykers began arriving at Ft. Lewis, just three years after the Army had described a requirement for an interim force. The Army had an operational unit in the California desert. Already the Stryker brigade combat teams have begun to demonstrate the increased strategic operational and tactical versatility they will provide to combatant commanders, and by this summer the first Stryker brigade combat team should be prepared to join us in this war on terrorism.

So it is not just about capabilities, we intend to begin fielding in 2008. It is also about capabilities we are giving to soldiers and to combatant commanders today.

We are grateful for the unwavering and bipartisan support and leadership of this committee, support that you have provided over three and a half years that I have served as Chief, and most especially we are indebted to you for your unyielding devotion to our soldiers. They are on point for the Nation as soldiers have been for 227 years, defending our freedom and the privileges we all enjoy. It is their sacred duty, and ours is to give them the training, the equipment, the leadership and the support that will enable them to perpetuate, to extend, that legacy.

Mr. Chairman, thank you for, and the members of this committee, for helping us to fulfill that responsibility, and I look forward to your questions.

[The joint prepared statement of General Shinseki and Secretary White can be found in the Appendix on page 183.]

The CHAIRMAN. Thank you, General. Thank you, Mr. Secretary. One housekeeping announcement here that is—I think is a great idea that was brought up by Mr. Abercrombie in our last hearing, that is that we have a book with pages in it for Members to write a brief note, and send a message to our former chairman, Bob Stump. If the staff can get that, it is down in his place right now, and maybe we can circulate that while we have a number of Members here today.

Mr. Secretary and General, I am going to go on down the line and not ask a question, but I would ask that you give one fact set to the committee. And that is we would like you to get to our Staff Director a base fact set with respect to facilities, and don't reinvent the wheel but retrieve what you have on record, the fact set with respect to facilities, capital investment, training apparatus, and personnel and family member support structure of our Army footprint in Germany.

Secretary WHITE. In Germany.

Mr. McHUGH. The 71,400 or so uniformed personnel who are presently stationed in Germany. We would like to have that information if we can get that.

Mr. Skelton.

Mr. SKELTON. Thank you, Mr. Chairman.

I have a whole list of questions I had planned to ask involving end strength, active-reserve mix in the force structure, the strain on Reservists, the cost of wartime operations, maintaining readiness, the Future Combat System, the funding for the Stryker brigade, science and technologies shortfalls, programmatic shortfalls, Army Guard at Air Force installations as at the Whiteman Air Force Base in my home area, and force structure and reliance on technology.

But I am going to bypass those questions and ask, General, the bottom line question. The bottom line question: Is the Office of the Secretary of Defense (OSD) asking for the resources the Army needs to be all it can be?

General SHINSEKI. I think you started with end strength, Mr. Skelton. Let me just say that for the last three and a half years, I have testified that the Army, I thought, was smaller than the mission profiles we were given, and that we had undertaken a study to try to understand what right-sizing the Army is about. I think we see in the current call-up of Reserve component formations both the value of having National Guard, and Army Reserve units in the inventory to the degree that we have them.

Prior to this latest mobilization, for a potential large operation that we are all standing by for, we had a level at which mobilization was occurring—it is what the Secretary alluded to—anywheres from 20 to 30,000 Reserve component soldiers being called up for what we would have considered long, ongoing routine contingency operations, the Bosnias, the Kosovos, the Sinais.

In answering the question about end strength, I think there is a start point here where we say that we have to look at those numbers and understand that that is a strain on the force today, and our discussions about right-sizing the Army, both in end strength for the active component and the distribution of the mix between active and reserve components, I think that is a fairly major data point that we will have to address.

And part of our request to us, which we willingly supported, was to provide Army National Guard soldiers to the tune of about 9,600 when it is all said and done, who will be providing security capabilities at Air Force bases. And we thought it was an important thing to do, and our soldiers are going to do that.

Mr. SKELTON. Thank you.

The CHAIRMAN [presiding]. Mr. Hefley.

Mr. HEFLEY. Thank you, Mr. Chairman. I would add my voice, General, to the disappointment that that this will be your last time here in this particular capacity. We are going to miss you, and you have done a good job for America.

I just a week ago took, and I told you personally this story, I took a group of NATO parliamentarians out to Ft. Irwin, and I think everything that both the Secretary and you have said about America's Army being the best is really true.

I wish Saddam Hussein could have been with me and this group on that trip. I would never want to go up against the United States Army. But there are some things that disturb me in this budget. And let me just hit on two or three.

One, the process, and I would like for one or both of you to speak to the process. This is, as best I can tell, a peacetime budget. Now, I can understand us not putting money in for a war against Iraq, because we don't know if we are going to have a war against Iraq. We hope that we don't. But I don't understand us not having money in here for the Global War on Terrorism. But it clearly states, particularly in the personnel section, that this is not included. We have been fighting that war on terrorism for at least the last year and a half, and it looks to me like if we are to get a clear picture of what we are going to need we need to have that in the budget.

It is my understanding we are going to have a gigantic supplemental coming up real soon. Well, if that is true, the work has been done to project on that supplemental. Why couldn't much of that have been in the budget?

And then second, the flying hours for your guys. You are accepting the fact that you need over 14 flying hours, you are going to do only 13. I would like some comment on what this does to your readiness if we don't give them the training that you think that they should have.

And then finally, and I will stop and let you respond, the ammunition, the procurement of ammunition. There is still, it appears, that for fiscal year 2004 there will be shortfalls, including 1.1 billion for war reserve ammunition, and 130 million for training ammunition.

Now, this is something our chairman has hit on hard over and over again, and it is a concern that I have. What does this do to your readiness as well? And I will stop at that point.

Secretary WHITE. Why don't I do the first one on the budgeting, the supplemental, and the Chief will do flying hours and ammo, if that is okay.

As you will recall, I think this was extensively discussed when Secretary Rumsfeld was here. The 2003 budget process included, at the Department of Defense (DOD) level, \$10 billion for the war on terrorism. And that was authorized but not appropriated, as I recall. And so we didn't get it. And so going into the 2004 budgeting process, the assumption was that we would budget to 480,000 active end strength, and no extraordinary RC mobilization, and that is the way the budget was built. And, consequently, going into the year averaging about 30,000 Reserve Component mobilized pretty much steady state since 9/11, and now of course being significantly higher than that as we both discussed, causes us to be cash-flowing money from the back-end of the year to the front-end of the year to pay, principally, military personnel and operations and maintenance (O&M) bills to support what is going on, and that has caused the need for the supplemental. But that is the story behind it.

Chief.

General SHINSEKI. Regarding ammo, I will just go back and review what has happened over the last year. In September of 2001, when the President outlined this war on global terrorism and the

potential for larger operations, we in the Army started cycling up our training. We had a training strategy that talked to the number of times we were going to shoot our weapons systems, and we cycled that forward earlier and we increased our ammo consumption.

So in some ways we created this \$130 million shortfall because we increased the training that we thought was important, compared to what we had put in there a few years ago.

But standing here where we stand today, I think that was the right thing to do. Formations that are standing by are very well trained. They are confident in their weapons systems. Because we cycled up their movement of those weapons systems, we have also incurred a burn rate on parts that had not been set aside. We have taken care of that.

In the specific question that you addressed on flying hours, this has been one of those areas in which we have had to go back in and fix some issues that were not visible when we put the budget together. We set aside—we thought what we wanted to do was about 14 ½ flying hours per month per crew.

Now, that is a change. We used to have a 14 ½ flying hour per airframe, and we felt that that wasn't getting to all of the training issues. So we increased that to 14 ½ hours per month, per crew.

And as we increased those training requirements we began to find challenges in the maintenance program of our aircraft and, frankly, at about—our execution was, as you indicate, about 13 hours. We still want to get back up there to the 14 ½ hour training program, and that has caused some shortfalls in all of the things that we want to do.

But I can tell you that in the last six months a tremendous focus has been put both on aircraft maintenance and training programs that get our youngsters ready for whatever the decisions are.

Mr. HEFLEY. Thank you.

Mr. MCHUGH [presiding]. I thank the gentleman.

Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman. And Secretary White and General Shinseki, thank you very much for being here this morning, and in particular, thank you for the tremendous job you have done in the last couple of years under very tough situations.

General Shinseki, as an Army veteran, thank you and God bless you for being a soldier's General. We appreciate your leadership and we are going to miss you.

General SHINSEKI. Thank you, sir.

Mr. REYES. My questions deal with two issues, although there are many, like Congressman Skeleton mentioned. But I would like to focus on two, the continuing obsession with privatization of jobs, and then also end strength. As you both know, last week we had Secretary Rumsfeld and General Myers here. They talked extensively about the fact that we have got troops assigned worldwide, at last count in over 120 different countries.

We have got them monitoring and operating in no-fly zones, enforcing United Nations (UN) sanctions in the Gulf, facilitating reconstruction of Afghanistan, conducting peacekeeping operations in the Balkans, working in South America against narcotics traffickers and terror cells, preserving stability in the Peninsula of Korea, and then, of course, defending the homeland.

And, through all of this, I as a Member of Congress find it incredible that we are still talking about decreasing the end strength of our military, and specifically the United States Army. So my question to both of you is how can we continue to even contemplate downsizing our forces when we have got such an extensive commitment worldwide, and some would take issue of whether or not we have anyone on the run, including al-Qaeda, but if you will address the issue of our end strength in light of this great challenge.

The other question deals with privatization of jobs. And as you know, Mr. Secretary, on many different conversations that you and I have had, and also, General, I continue to be concerned about both the loss of institutional knowledge and the way our civilian work force is being treated and their years of service disregarded by this effort, and also I am concerned about the manner in which we don't seem to have a system that accurately reflects the way that we evaluate the cost savings between in-house and contracting-out services.

Those are two very important issues that I would like both of you to address.

Secretary WHITE. Thank you, sir. On the end strength, I don't know of any initiative going on any place that would suggest that we need a smaller Army. It is not being done inside the Army. The fact of the matter is, as I said, we are at 480,000 active right now. We are a little bit over strength, because we have stop-lossed about 3,000 people, wouldn't let them leave, and our retention numbers and our recruiting numbers are very good. So we are about 489,000 on the active side right now. The question of how you redeploy the Army in Korea or in Europe post whatever the Commander in Chief decides to do, and Central Command area is another question, but I think that will lead to repositioning, but not downsizing of the Army.

With what we have got, I have never seen the Army busier in 40 years than it is right now. So I don't see any initiatives to make it smaller.

On privatization, I am all for privatizing where it makes sense. That means we get a value proposition for an activity that can be done by the private sector in a more economic way when you consider all of the factors associated with it, and it makes sense to do it.

We have several examples of being very successful in this area. The residential communities initiative on the housing side, which is privatization of housing. We are about a third of the way through utilities privatization. But in both of those cases it was more than just labor on labor that we considered and that we outsourced. It included capital, it included a great deal of expertise in areas that were not core to the Department.

In the A-76 business, labor on labor, of all of the ones that I will have looked at over the last couple of years, there must have been 50 or 60, the in-house teams win about three-quarters of the time I would bet across the whole Army.

But the best privatizations that we do are ones that are broader than just labor on labor, and we have to be careful and make sure it makes sense, and that the rights of our civilian work force are

protected and considered along with getting best value for the Army.

General SHINSEKI. I would just add, Congressman, that just to go back three and a half years ago, three and a half years ago I described what I thought was a very busy Army then with a large mission profile. But three and a half years ago we weren't recruiting very well. So any discussion about increasing end strength was moot. We have gone to work. I mean, the last three years we have made our recruiting and our retention numbers in good fashion.

We will make them this year. Although I won't be here in 2004, I will predict that we will make them in 2004. It is just that we have put together that good a program.

The opportunity to make convincing arguments about increasing the Army's end strength I have not been successful in making those points, but we continue to have dialogue. And in that process one of the questions that this Secretary has asked, and I think it is a valid one, I am trying to help him answer that, that is if you can't get an immediate adjustment in our end strength, do we have our people in all of the right places? That is part of the question. What are the core military and what are noncore?

And I think in answering that question there is some internal looks that we need to do as we strengthen the arguments about having this dialogue on end strength increases, potential end strength increases for the Army, I think it will strengthen that argument. So I think it is a worthy question to answer. My job is to provide this Secretary with my best military judgment on this, and I will, and there is great open dialogue, and the study will occur, and he and I will settle on these answers.

The CHAIRMAN. Is the gentleman okay? Did you have any follow-up there?

Mr. REYES. No. My time is up. Thank you.

The CHAIRMAN. I thank the gentleman.

Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman. Mr. Secretary and General, thank you for being here. We appreciate the sincerity and the great effort that you have both put into your job.

I have a two-part question. One has to do with the status of the Reserves and the other has to do with the—I don't know whether it is proposed change in the command structure as it relates to the Special Operations forces. Let me just, I guess, phrase it this way.

In 1990, Secretary of Defense Cheney came here and said that the threat was going to change, and change it has. And he also suggested at that time that the military, our military forces would have to change to meet the new threat.

Recently, I have heard discussion, particularly from the Secretary of Defense, about changes that we need to make in the structure of the Reserve forces in order to bring them more into line perhaps with today's need, and I am interested to know what your view of that subject is, particularly regarding the Army Reserve and the Army National Guard.

The second, the Secretary of Defense has also suggested that the command structure between the area commanders and the Special Operations commanders perhaps could more efficiently be used, if it were changed to give the Special Operations forces more direct

command over carrying out activities of various kinds. Would each of you comment on those two subjects, please?

Secretary WHITE. On the first subject of Guard and Reserve and the appropriate mix, of course, as the Secretary of Defense discussed while he was here, there is an ongoing study of that issue to basically ask the question, if we find ourselves constantly mobilizing certain types of units that are currently in the Reserve Component structure, is that a viable long-term strategy, or should some portion of that be brought into the Active Component?

Of course, if you do that and it is a zero sum gain on end strength, that means you are going to have to move some structure out of the Active Component back to the RC, and we have not finished the discussion on that.

On the Guard, there is a two-fold restructuring of the Guard. In addition, the aviation modernization, the impact that has on Guard aviation, the first step was to take two of the eight Guard divisions and convert them into combat service support. That is ongoing.

The second is to take four of the remaining six divisions and make them more multi-purpose, lighten them up some, so that they would not only have the whole current spectrum of missions that they do under Title federalized, deploying to support the Commander in Chiefs' (CINC) war plans as they have done, the combatant commander's war plans, but also that they would be more useful in the homeland security front, not only from their governors' perspective, but also from a Federal perspective as well.

So there is a great deal of restructuring going on in the Guard that reflects the new threat environment. The question on the Federal Reserve is going to be, how much can you afford to put in the Active Component and what are you going to take out of the Active Component to compensate, to compensate for it.

Under the Special Ops Command—

Mr. SKELTON. May I interrupt, Mr. Chairman? Are those plans completed yet?

Secretary WHITE. On the Guard side?

Mr. SKELTON. Yes.

Secretary WHITE. The two parts I talked about, yes. And we have briefed the Guard. The Guard is fully supportive of it, and we are beginning the execution of it. So we will come and talk to you about it, if you want to see the details.

Mr. SKELTON. Thank you.

Secretary WHITE. Okay. On the Special Operations Command (SOCOM) business, I think as both Mr. McHugh and the Secretary of Defense briefed, the Unified Command Plan changed made SOCOM a supported command with responsibilities for certain aspects of the war on terrorism on a global basis, and the other combatant commanders support it. I think that is a very wise change, and I fully support that. And of course, Army Special Ops Command is a component of that.

General SHINSEKI. I just add to what the Secretary has already said. The restructuring of the National Guard are a series of initiatives that go back to 1996, when we started the Guard Division redesign. Very much our structure, Active and Reserve Component are sort of focused on a big war scenario. And then we found ourselves in 1990s going to lots of other requirements that pulled for-

ward Guard and Army Reserve formations who were going simultaneously with us and have caused us to look at the mix and also the texture of what was in those Guard and Reserve Components.

That is why you find in the Army Reserve such a preponderance of civil affairs units that were being used with great regularity in places like Bosnia and Kosovo. It has always caused us to look at the heavy formations in the Guard. And the initiative that the Secretary just described is our effort to better posture them for the missions that were more likely, that was lightening them up for a variety of call-ups.

I mentioned six Stryker brigades earlier. One of those Stryker brigades goes to a National Guard unit and was intended to get them understanding their part of this transformation that the entire Army is going to undergo. It is also an early investment in their understanding of what it is going to take, because it takes a little longer, what it is going to take for them to go through the process of having to turn in heavy equipment and begin to raise the leadership. That is what this Stryker brigade is intended to do, raise the leadership that is going to be useful to the Guard in the future.

With regard to the SOCOM question, SOCOM under this fabric of Global War on Terrorism is a supported command for planning, and could be a supported command for execution. But that, at some point, is determined on exactly what the operation is.

Mr. SAXTON. Now, thank you. If I may have a follow-up, Mr. Chairman, with regard to the Reserve part of my question.

Today it seems to me that we rely very heavily—I guess this was brought home to me last week. They are in the process of mobilizing up at Ft. Dix, and they are doing 300 people a day. You kind of have to see that to really have it driven home how much we rely on Reserve forces.

And I guess my follow-up question is, in a general sense, I understand that the units, the Secretary said this last week, the units that are called up so frequently that it makes them almost active forces are no longer operating as Reserve forces. So I understand that part.

But the heavy reliance that we see today on Reserve forces, for all of the appropriate reasons that we have been relying on them for the last decade or so, do we expect that to continue at roughly the current level?

Secretary WHITE. Well, I think that is the A number 1 question that obviously confronts us with 114,000 Reserves mobilized. Is what happens post whatever decisions the President makes in regard to Iraq? And what in the mid- to long-term does it look like that we are going to have to maintain on the RC side depending upon what our residual obligations are in that part of the world? I think it is very hard to predict at this point what that is going to be.

I think when you look at the Reserves that is the real question that comes to bear, is that—is we are having wonderful response from Reserve units, people come, they are mobilized, they go, they do a great job. But if we are in this same spot two years from now or three years from now, the question is can we sustain it on the RC side, and what are the long-term implications? I don't know

what the answer is now. We will have to wait and see as events unfold.

Mr. SAXTON. Thank you.

The CHAIRMAN [presiding]. Thank the gentleman.

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. Appreciate you gentlemen being here. I was reading this Congressional Quarterly (CQ) today, Mr. Secretary, in which there is an article in here about how Senator Roberts had a telephone conversation with his wife about where the tarp was. I suppose you can put a tarp up with duct tape, I don't know, but when I hear you say that al-Qaeda is on the run, it doesn't feel that way right now, I don't think, to the American people. And words are important.

I know the British Broadcasting Corporation (BBC) was criticized in the early days of World War II because they told it like it was, and their argument always was when things start going our way then people will believe us.

But that may have been in the spirit of the budget hearing introduction, because it—I am trying to decide whether to get camouflage duct tape or not.

Let's see. General Shinseki, I wanted to ask you; you made the comment in response to Mr. Reyes' question that you had not been successful in making your case, I think with regard to the end strength numbers.

I know of your distinguished service in Vietnam, and I was reminded of the first General, Marine General Krulak, that was discussed very eloquently in the book, *A Bright Shining Lie*, in which early on he had been a great supporter of certain policies and how the war was conducted in Vietnam, but soon, at some point, became convinced that in fact by doing, building these Khesahn like bases we were playing into the hands of exactly what the North Vietnamese wanted us to do, because they were trying to draw Americans in to kill them and decrease American—the resolve to stay there. It was only after the war was over that these kind of minority opinions got to the policy level area.

And so the question I wanted to ask you is, you mentioned that one effort where you have not made your case. You have got four months to go. Give me four or five of what you consider the most significant areas, as you are looking at what I assume is the end of your military career, that you have not been successful in making your case, that you think policymakers ought to know about.

General SHINSEKI. Well, I think you started with end strength. Let me start there. I think 3 ½ years ago we had a pretty good idea that the Army, for the missions it was given was too small, and then we had to conduct the analysis and make the case, and we have continued to do that.

We have not arrived at the decision that says that discussions of increasing Army end strength is at a point where a decision is going to be made. But through the wisdom of the Congress, you provided a 2 percent flex that allows the Secretary to exceed the 480 authorization to meet the needs of the operational missions given to the Army, and we have done that.

So while I say that I haven't been successful in getting an authorized end strength increase, as the Secretary indicated, we are

at 489,000 soldiers today, operating with that 2 percent flex. So that has given us some relief. I will continue to make these arguments, participate in the debate, and remind folks that when we tend to run these operations, whether it is Bosnia, which is today Reserve Component, the Sinai, today Reserve Component, Kosovo, an Active Component unit but scheduled to go to Reserve Component assignment here.

These day-to-day missions begin to put pressure on our Reserve components in the way that a potential Iraq mission does not, at least not here at the outset. But it is that long-term reliance on Reserve Component soldiers to leave jobs and families and take on these missions. That, to me, is a suggestion that we need to have some right-sizing here, and I think it is a debate that I think that we have good answers for and we will continue to do that. But again, we are not constrained by the 480 authorization because of the flex that you have given us to take care of these operational requirements.

We tend to go and stay for a long time where we go. We have been in Bosnia now I think 7 years and Kosovo for at least 3 or 4 and the Sinai for 22, and that begins to affect the inventory of what you have to do with every new operational requirement.

Secretary WHITE. We made some progress as the Secretary talked about. The Bosnia commitment is lower, been drawn down, the Kosovo commitment is lower. We are about to cut in half basically the Sinai commitment. So that gives us a little more head space, but it is still a real challenge.

Dr. SNYDER. Thank you. Now, that was one. You didn't complete out a lengthy list of minority views, but I guess I didn't really expect you to.

General SHINSEKI. I guess the other point would be the challenge that every Chief has to balance the current readiness requirements with making sure that future readiness is well looked after, and that balance has forced us to take some risk here in the near-term in order to put the required funding to be able to get momentum for the future, because that future readiness someday becomes today's readiness and if you are not invested there what you end up with is some serious, serious problems.

So it is that balance that we continue to try to find, and my offer to this committee is the 2004 budget is a very, you know, finely balanced set of priorities by the Army. There isn't enough to do everything, but it is a balance we have sought to find here, and part of that balance is putting our Stryker brigade combat teams in place to handle the short-term rapid requirements that we have wrestled with for the last ten years.

The CHAIRMAN. Thank the gentleman.

Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman. Gentlemen, thank you so much for being here, and I certainly want to associate myself with the comments of all of my colleagues who have expressed their appreciation, as I do, for your joint service and all of the great work that you have done on behalf of our absolutely amazing United States Army.

And, General Shinseki, I want to say particularly how much I have enjoyed working with you through this committee, through

the Army Caucus, and how much I admire your devotion to country and to your troops. You are an inspiration, sir.

Right now I am about as proud as I have ever been as Mr. McHugh of the new Total Force Subcommittee. Of course, I haven't been that chairman, under that title very long, so I don't have much to compare it against. But all of my colleagues have been talking about personnel issues, which is our main area of concern. So I find myself somewhat at a loss for fresh material.

So let me sing an old refrain, and that is the concern about end strength that has been discussed here, and I did discuss this at our hearing last week with Secretary Rumsfeld. So I am on the record. But I am so deeply troubled by it, I don't think we can say it too often. I think that many of my colleagues feel the same way.

Some have mentioned today that they visited our troops in Kosovo and Bosnia. I have done that. I was with the 10th Mountain Division up at K-2 just before they went into Shari Kot and Operation Anaconda.

Mr. MCHUGH. As Mr. Hefley said, they are amazing people, all. And they are doing terrific jobs.

Just recently, I had the honor of heading a Congressional delegation (CODEL) to visit some of our troops throughout all of the services with Mr. Hayes and Mr. Miller and Mr. McIntyre, but we really did focus on the Guard and Reserve troops, kicked the officers out of the room and had some good heart-to-heart discussions with these folks. As you gentlemen know, they are no less than an integral and absolutely critical part of this military and, in you gentlemen's case, this Army and the active side of the equation and as each one of the commanding officers we have spoken with told us, their missions couldn't be completed without those Guard and Reserves.

But we heard some things that were disturbing. While those folks were proud of the work they were doing, were proud of their country, most of them served in volunteer status. They were beginning to feel the strain very significantly. We heard stories about how some of the Guard and Reserve people were now questioning when they went to apply for a job if they should list their service on a resume. I found that incredible and heartbreaking.

We heard, of course, about broken families, lost jobs, lost businesses. While they were willing to pay that price, many had been called up multiple times in the last 24 to 36 months. Some of them had found their call-ups now going in for two and three years. And I just think it is critical—and, obviously, that is the Guard and Reserve, but it is all a unified force. It all comes back to end strength.

As I said to the Secretary last week, I fully support this examination to take a look at which jobs are where and what the proper balance is and to the extent that can alleviate some of the pressures on end strength I think that is wonderful. But I question—Secretary White, you said happens in two or three years. I am truly worried from the Guard and Reserve side we don't have two or three years to wait. I am not sure they can last that long.

So I just wanted to restate that for the record. But I will ask—and certainly if either of you gentlemen would like to respond to that you are welcome to. But I would ask one question related. Right now, you have put an end to any permanent change of sta-

tions. You got a freeze on that. I think you have been pretty darn successful in limiting the implementation of stop-loss. That is a real red light to troops, and it is a real red light to our end strength situation.

But let me pose a hypothetical. If we find ourselves in a military direct battle confrontation with Iraq, would you be able to do that without further utilization of stop-loss?

Secretary WHITE. Well, what we are doing right now, in addition to the stop-loss which has been going on for a while, that is about 3,000 people currently on the active side and selected military operational specialties (MOS) with the maximum amount of time we would hold anyone is a year beyond their normal expiration of service, is for the units that are deploying for potential commitment in Iraq, we are going to freeze those people in those units once they deploy and keep them for the duration of whatever happens and whatever—so that if you take the average division, say the 4th Infantry Division which is on the move, inside that division, even though it is at 100 percent strength across the board or more than 100 percent strength, there will be a certain chunk that is not deployable for a variety of reasons. We are not going to rotate people out of that division, and we will fill those holes so that that division, should the President make the decision, when it goes across the line of departure (LD), it is going to have crews that have been together for awhile and they will be 100 percent full in the turrets and the foxholes.

So that is the other piece we are going to put in place to make sure we are in best position to do what the President wants to do.

Mr. MCHUGH. Thank you, Mr. Secretary.

If I may, one follow-up. With respect to the studies and the examinations, et cetera—and Mr. Secretary is happy—I thought I heard you say you agree about the concern about having two or three years to wait to fix this. General or Mr. Secretary, when do we stop studying and start making decisions? What is the time line on this process?

Secretary WHITE. I think it has got to be quick. I mean, because you are going to want to reposture the force. Both—the Secretary talked about potential positioning in Germany and how we support that. We have got to know that on the backside of whatever happens in the next few months both—and plus on the AC-RC mix, as well. I absolutely agree with you. I don't think we have a long time to ponder this. It has got to be soon.

General SHINSEKI. I am in agreement. I think we have got some pretty good indications right now of the stress on Reserve Component units by virtue of how we have been using them for the last five years, and that is part of the end strength discussion we had earlier. Some ways you can get stress off of that is by picking up those missions back in the Active Components force. That is why I will continue to make the point.

Another piece of this is how you call the Reserve components up, and we need to do that better. I mean, there is the expectation that there is a 30-day period in which an alert will occur so that they can take care of closing out both their personal and their professional responsibilities and informing employers they are about to go off for deployment and employers can then make adjustments.

We are calling them up on a very short time, and that has added pressure here. We need to do that better.

Mr. McHUGH. Thank you, Mr. Chairman.

The CHAIRMAN. Certainly. And with the indulgence of the committee, the ranking member has a point he wanted to ask that relates to Mr. McHugh's question.

Mr. SKELTON. Following up on Mr. McHugh's comments, is it not a fact, General, that 1,900 special forces have been taken out of the Army hide, the regular Army hide?

General SHINSEKI. In this budget we have paid for adding roughly 1,900 special operations personnel to the Special Operations Command, and we have also provided about \$1.1 billion to increase their capabilities. Technically, that was done, put in the budget before we have had the latest reviews so there could be more requests, and we will consider them and balance priorities when that arrives.

The CHAIRMAN. Thank the gentleman.

Mr. Israel.

Mr. ISRAEL. Thank you, Mr. Chairman.

Secretary, welcome, General.

I have a question for the General concerning Future Combat System as an integral component of the Army's objective forces. Overall, as I understand it, research, development, test & evaluation (RDT&E) will increase from \$7.5 billion to \$9.1 billion and that is offset by a procurement cut of about \$1.7 billion. As I continue to understand it, the purpose of that is to accelerate the interim operational capability of Future Combat System from fiscal year 2010 to 2008.

I have two questions. Number one, can you provide us with the status of the Future Combat System; and are you confident in fact that those systems will be operational in 2008? Then, after that, I have a follow-up question.

General SHINSEKI. Yes. In May of this year, Congressman, we go to what is described in the acquisition terminology as a major decision point. It is called a Milestone B Defense Acquisition Board. And it is at that point we intend to make the case that all of this is on track and, therefore, the deliverables in the 2008 time frame ought to be supported.

There is another decision point in the year 2006 which is called Milestone C, and that is the production decision. So both of these are major events.

You are correct that there is a downturn in procurement in 2004, but that is compensated for by the increase by about \$2 billion in RDT&E. When you take both of them together, which is generally a modernization account, you will see an increase between 2003, 2004 overall.

We are comfortable that we are putting the money in the right place, which is resource development and testing, to be able to make the case in 2006 that it is time to spend more money in procurement. We could put more money into procurement if it were available, but we think we have balanced the priorities appropriately here.

Mr. ISRAEL. Just so I am understanding this, with the budget decisions that we are making for 2004 you are comfortable that FCS

will have an operation capability by 2008, or you are going to make a decision later this year that it may or may not be operational by 2008?

General SHINSEKI. I am comfortable that we will have in May of this year the indications that we ought to go forward with the operation, and that is a systems design and demonstration. It is really pulling in the technologies that we have been investing in for the last two years to demonstrate that it has been money well invested. The potential is there, and we should go forward into system design where you put those technologies together in platforms in a system of systems concept that says in 2008 we intend to field this kind of an organization. But the real production decision to start bringing things off of a production line is a 2006 decision. So we have two to three years yet of comprehensive work to do to—with reporting back to this committee and others exactly how we are tracking progress to 2008.

Mr. ISRAEL. Okay.

Secretary WHITE. The first vehicle would be fielded in 2008. The first unit would be 2010, about two years later. The first brigade side unit would be 2010.

Mr. ISRAEL. Thank you, Mr. Secretary.

One final question. Could you give me an appraisal of how we are doing with the development of the Army objective force? I have been a very strong supporter of that concept. I am curious as to your thoughts. Are we going where we need to go? Does this budget help you to go where you have to go? Are there aspects of the legacy force that will need to be retained over the next several years as we transition to the objective force?

General SHINSEKI. The legacy force is going to be with us for some time. Even if we went to all the decisions we need to put into place, it is a process of changing out formation by formation over time. So even if we start in the year 2010, in the year 2020, 2025, you will still have some legacy formation there that is awaiting their turn in the process.

I am comfortable that we have gotten tremendous momentum and especially out of our congressional committees to give us both the flexibility and the momentum in support for our budget to get to the objective force in 2008-2010 time frame. The deliverables on exactly what those things are going to begin to be aired here in the May of 2003 as we make the first presentation and then between 2003 to 2006 demonstrating what technologies are available, what ones we will pull down and put into the first block and the second block.

Because, in all of this, some technologies will come along very quickly. They are mature today. We are working with them. There are other technologies that we are investing in, but the potential is so great, even though we don't have an exact date for deliverable, we think it is wise to continue to invest there. Then what we need to identify in all of this is what are the dry holes that we don't want to invest any more money in. All of that is part of a sequenced set of reviews that go on inside the Department that the Secretary and I have to look at and share with OSD.

Mr. ISRAEL. General, thank you for your response.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank the gentleman.

Mr. Thornberry.

Mr. THORNBERRY. General Shinseki, you began to make changes in the Army, of course, before this administration took office; and you received a lot of criticism from inside the Army for changing too much. You received a lot of criticism from outside the Army for not changing enough. Obviously, we are living in volatile times; and it seems pretty clear that all the military services are going to have to make other kinds of changes.

I guess I am interested from your perspective in what advice or suggestions you might have not about what changes to make but about how to make changes inside services, particularly the Army. Some of them may apply to us, some of them may apply to your successor, but what do you think are the key things that one needs to focus on when you are changing a strong culture like a military service?

General SHINSEKI. Congressman, that is an excellent question. This is one that I don't know that I am expert in. I always go back and take a look at the 3 1/2 years we have walked.

But inside the Army there are our own communities—I mean, you are familiar with them. They are the heavy, the light communities, the special operations and the conventional forces, our combat arms, combat services support, combat support branches and Active and Reserve Components. So it is a very complex, large organization. But the passion for service in uniform is down in those communities. So in trying to get the Army to stand up on short notice and start moving off in the same direction, that is really the challenge, how to make this meaningful in ways that every piece of the formation feels this is important. And that has been a patient process.

Early on, we were—it was suggested to do this via the media, just do a full court press in marketing. We have taken the other route, and that was to educate the force internally and in very patient ways of visiting brigade size units, talking at officer precommand courses. I think over time it has been more patiently done, but there is great resonance inside the force for change.

Exactly what that is going to be—I think the youngsters will have a good idea of what the interstate ought to be in 2010. There are majors graduating from our command and general staff college today that 15 years from now will be commanding some organization at the two-star level. There are lieutenant colonels that are battalion commanders today which in ten years, which is not far down the road, will be commanding two-star organizations. There are colonels who are completing grade command today and in about five years will be commanding these formations. The wealth of talent that we have put in place through our schooling and our operational assignments bodes well for getting great answers on exactly what the Future Combat System and objective force will be.

I guess my challenge is how to get as much done in a very short tenure, four years, how to get as much momentum and education going when you know that the patience of education is more important than the bumper sticker of marketing. Marketed the wrong way, when a chief leaves at the end of four years a lot of it will leave with him if you are not careful. And the intent of this chief,

of this Secretary and the Secretary before him was to put in place for the Army and the Nation a long-term strategy for change that would be meaningful to members of this committee who could see what that meant and would be able to sustain support for it.

Mr. THORNBERRY. Do you think that the culture inside the Army helps and encourages those majors and folks to come out with their new ideas, their different way of doing things? Or as they grow up and get more invested in their career do we tamp that down too much?

General SHINSEKI. I think in any large organization there is always the danger of not listening well. But I go and speak at every precommand course, commanders that are going to go out to the force, that occurs several times a year, and I can tell you they are not bashful about telling this chief what needs to be done better. In the gatherings I have not just with young officers but with young soldiers as well, I get told we are not paying them enough; and, of course, I agree. I say, absolutely.

Every time I appear before a committee this time I carry the case for doing better at taking care of your needs. But I also sort of remind them that that is not just about money, this relationship, because there is a date out there where a mission is so tough that no amount of money is going to make sense; and our youngsters understand that.

I don't think any organization is immune from the danger you describe, and we have to consciously go out there and educate and listen to the response. That is why I say this patient process that we have taken in the long run will serve this institution well.

The CHAIRMAN. I thank the gentleman.

The gentleman from Georgia, Mr. Marshall, is recognized.

Mr. MARSHALL. Secretary White, General Shinseki, I guess I will start with regrets, General, that you are not going to be here longer. I have watched you on the TV over the years and have been very impressed with your representation of the Army. I hope you stay actively involved in one way or another.

I come from middle Georgia. We are not a wealthy area but an extremely patriotic part of the country. I think you would be hard pressed to find a place in the country that has a more patriotic feeling towards service and the military. My district abuts Fort Benning, abuts Fort Stewart. Robbins Air Force base is right in the middle of the district. Fort Gordon is not far away. I guess—I don't know that I have a question as much as I have a comment, and the comment might call for a reply, and it has already been mentioned.

Lately, within the last six months or year, I have had a number of Reservists and National Guard folks who, frankly, in part are in the Reserves or National Guard because they want to supplement their income. They are not wealthy people, and it is important to them to be able to do that. But they have talked about withdrawing.

Then I have had others saying they have been thinking about going into the National Guard or Reserves, but the problems with leaving home for long periods of time, the threat of that hanging over their head discourages them from doing so. It causes me con-

cern for our readiness if we are going to be relying upon National Guard and Reserves.

It is just a comment.

Secretary WHITE. It is a matter of balance. We have the Guard and Reserve for a variety of purposes, but one of them is to call them up in times of emergency and so forth, and that means that in today's world there is a high likelihood that if you are in a Reserve formation at some point you are going to be asked to come on active duty and do some thing.

The flip side of it is, as Congressman McHugh talked about, is if this becomes almost routine and repetitive, then you begin to look very much like an Active Component soldier; and some people will say that is not what they signed up for. And achieving the balance so that we get the support we need but we don't overuse it I think is what we all seek.

Mr. MARSHALL. I have nothing further, Mr. Chairman.

The CHAIRMAN. Thank the gentleman.

Mr. Simmons.

Mr. SIMMONS. Thank you, Mr. Chairman; and thank you, gentlemen, for your testimony.

I know there has been a lot of focus on Reserve affairs and Reserve issues, but that is my set of questions, too, and I would like to pursue it a little bit.

I think some of you may know I served on active duty for 4 years but was in the Reserves for 30. From 1970 to 1990 in my Reserve assignment I was never once mobilized and never once deployed. But from 1991 to the present, my Reserve unit had soldiers mobilized on three different occasions for up to 270 days; and the unit is currently now completely deployed in support of our operations in the Middle East.

I realize this is a military intelligence unit and, like civil affairs and some of the other units, the numbers of deployments that these units encounter are substantial, but this is the problem, too. Because as the unit commander, I had members of my unit coming back, and their jobs were gone. Their companies would reorganize, their positions would be taken away, and they would be offered a job, but it wasn't an equivalent job.

I had members of the Guard in Connecticut who work for the Corrections Department and, because they are unionized, their contract is submitted to the State Legislature for approval, and the details of that contract deny them their full service as members of the Guard and Reserve. Even though the Attorney General of the State of Connecticut has declared in a declaratory judgment that the Department of Corrections is out of order and not in sync with the law, these soldiers continue to be denied pay for inactive duty training (IDT) and additional inactive duty training (AIDT); and my efforts as a state rep and that of a Member of Congress have been unsuccessful in resolving that issue. Maybe that is something I should pursue with you gentlemen with your Inspector General (IG) by letter correspondence in the future.

I raise these issues because this is part and parcel of being a Guardsman and being a Reservist in today's environment. These are patriotic people. These are people who want to serve as twice the citizen, who want to preserve and protect their country, but

they also have an obligation to their families. And that gets to my set of questions.

Point one, when I look at the end strength of the Guard and the Reserve, it is 350 and 205, for a total of 555, with Active Component at 480. It seems to me that that ratio is wrong. It is almost one to one. I guess my feeling—my gut feeling is for the Guard and Reserve it should be two to one compared to the active component, given the fact that the Cold War is over, the strategic balance that we had is gone, and that the peacekeeping missions and the small hot war anti-terrorist missions are probably going to increase in the new environment, and you are just going to wear these folks out, and they are going to get out of the service.

That is point one. I would be interested in your comments on that.

Point two, mandatory retirement. I was at the peak of my career, I thought, when I was told I had to get out. I was so upset I ran for Congress. You can imagine how my family and everyone else who knew me felt about that.

But, anyway, the point is my mandatory retirement was because I could not go to the War College because—I could not do a year of residential studies at the War College because I was an elected official in my state. That situation replicates itself time and time again. Somebody like myself who would get a 292 on his physical training (PT) test and was at the top of his game as a military intelligence officer was kicked out after five years in rank because I couldn't be promoted. And yet my skills were as good as they ever were in my military career and my physical health was outstanding. The unit that I led was Best Small Unit in America in 1995 and 1996. So everything had to make sense except that I had get out.

That is replicated across the board as well. Officers at O-5, O-6 ranks are being forced out, senior noncommissioned officers (NCO) are being forced out because of a set of regulations which don't make a hell of a lot of sense under the current environment.

When you bring in that junior military intelligence (MI) type and train them up, you are not going to get 30 years of experience, 4 languages and all that goes with it. So do we need to look at our mandatory retirement regulations?

Those are my questions.

Secretary WHITE. Let me take the second one, and maybe the chief can talk about the AC-RC balance.

I know that this is a hot button for the Secretary, Secretary Rumsfeld, as well, that there are a lot of things in the personnel system that do not track to today's conditions. One of them is mandatory retirement. You take a senior NCO who has done 30 years, he is 48 years old, she is 48 years old, you put them out on the street when they are at the peak of their game. That doesn't make any sense. So we are doing a lot of work inside the entire Department not only on the military side but the civilian side to review these things. I think that is going to be a natural flow from this pace that we are currently at.

And the other piece of it is you either hire somebody for 39 days a year or you hire them for 365 days a year. But there are all sorts of places in between where individuals might want to contribute

more time that would be tremendously valuable to us if we had more flexible work rules. So that is another dimension of the same problem. And we are all working with David Chu, the under secretary for manpower, on this. I think that in a not-too-distant future we will be coming back to you with some suggestions.

General SHINSEKI. On the question about the size of the Reserve components, I think you are really asking a question about right-sizing active and Reserve components. One of the ways you take pressure off of Reserve components formations is to have available daily routine, quickly deployable Active Component capability, as well; and I think the question about right-sizing the Reserve Components will come back to not just how often you use them but what you use them for.

I think, as you indicate, the members who join up are looking to provide service to the Nation in those moments of crisis when the Nation is at war. We get a certain kind of response from patriotic response; and if the majority of the missions were to guard a local compound, I do think that some would think twice about whether or not that was a good way to spend their time, as opposed to being part of a formation that was on standby training for war in the event the Nation's welfare was at stake.

I am not sure what the response would be, but I think it would be different. Merely doubling the size of the Reserve component for a set of unknown missions—I think what ought to come out here in the right-sizing is what size to do what I think will be a valuable outcome.

Mr. SIMMONS. If I could comment briefly further, I think the thing we need to look at, and it was suggested in your previous testimony, is, you know, who are these reservists, what is their background and training and what are they being called on to do. The idea of deploying somebody to watch a Guard shack is not the reality that I have experienced. I have experienced a real demand for military intelligence, MOS type, civil affairs. Often these people are quite successful in their civilian careers.

In the case of military intelligence, the unit I led and many others provide real time intelligence to the Active Components even on their weekend drills and during their inactive duty training (IDT). So they are already connected into the system, and they know their work is important and is validated. But when you deploy them then you pull them out of those civilian jobs which often pay more than what their military range will pay. That is why they are then put in the crunch. When you mobilize them and deploy them frequently every two or three years because they are needed, then that becomes the problem, and I think that it is an important area because they tend to leave. Some of them, like myself, we just stuck with it. Stupid, I guess, but I love the work.

So that is what I would be looking for, not necessarily a higher number as a bottom line across the board but a targeting of some of the Military Occupational Specialties (MOS) to see how they are being utilized and seeing what the adverse impacts are so we can maybe grow that part of the force.

General SHINSEKI. Some of the guarding that is going on security stateside is a direct response to 11 September, so some of that is not having visibility and what that would impose on our structure.

Mr. SIMMONS. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman has brought up a good important subject for us to talk about. The ranking member mentioned to me that we have Guardsmen guarding Whiteman Air Force Base now. Mr. Reyes, my good friend from El Paso, mentioned his concerns that privatization was displacing and misusing folks who were in the Federal work force, civil servants. And, of course, the Secretary has complained that he often has to use uniformed folks to do jobs that they shouldn't be doing because he has so much flexibility with those personnel that he doesn't have with the civil service.

So there was never a more compelling set of circumstances in terms of forcing us to sit down at the table and try to work a balance here. So, Mr. Simmons and Mr. Reyes and the ranking member, Mr. Skelton, probably would be a good set of folks to bring these interests to the table, and all national interests, preserving our Federal work force, treating them right. Number two, having folks to do these important missions, the new security missions that you have, but number three, Mr. Simmons' concerns that if you don't use these folks in the right way in the Guard and Reserve, they are going to leave.

So, obviously, that theme has been echoed by a number of people, a number of members who have spoken. So we have got a lot of work to do here.

Secretary WHITE. You make a good point. Because the other dimension here is that the average age of a civilian is 50 or 51. We either figure out a way to reshape this because we have a massive recruiting challenge to revitalize the civilian work force over the next ten years because most of these people will be retirement eligible. They served a lifetime and have done a great job. So, that is a part of the dimension, as well, is what do we want this thing to look like down the way and how are we going to make this attractive so we can compete in the private sector to get the right people?

The CHAIRMAN. Well, we have got a lot of work to do. Maybe we can do some of that work in this particular defense bill coming up. So let's engage on that one.

The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Thank you, Secretary White; and, General Shinseki, I, for one, am really going to miss you. I think you have been a great chief. I appreciate the time you have spent with me and I guess with every member trying to make us aware of what you think is important for the Army and the interest you have shown to the individual soldier. As Congressman Reyes said, we are going to miss you.

I also want to compliment you, while I am on the good side. I happen to have attended last Friday night a presentation by the Mississippi National Guard, about three or four hour presentation—I got to confess I didn't stay for all of it—the families—for the families and troops that have been called up to be deployed. And having been a Member of Congress for the last major call-up, I was really impressed that almost every single thing that the spouses had contacted me about as far as questions last time was addressed in that presentation. So I would hope that that is an Army-wide policy. I thought it was really good, and I could see in

the faces of the spouses that it answered their questions, and, therefore, it ought to be an Army-wide policy.

Going back to the call-up of the Guardsmen and Reservists and the Gulf War Syndrome, one of the questions that was repeatedly asked shortly after the Gulf War, are these problems that these folks had prior to the Gulf War and they really didn't come to the surface until afterwards? I would certainly hope that you were doing your best to take a good look at the health care situation for each Guardsman and Reservist that is called up prior to deployment.

What kind of caught my attention, and it has been resolved, but a Guardswoman from my district with lupus was called up, and I was surprised how long it took for her to be determined nondeployable. Again, I just found that strange. She was found nondeployable, but I was surprised at how long it took.

I would hope we can prevent some of the problems that we went through last time by having a good baseline study.

As far as Guard and Reserve incentives, I know that there is a congressionally mandated study going on right now looking at possibly changing the retirement age. While I have got you here, I would like to ask you to consider somehow rewarding those Guardsmen and Reservists who have done extended periods of active duty. Because most of them will do it but not all of them. So if someone has done a Bosnia rotation, a Sinai rotation, is called up for this war or the previous Gulf War, I would hope that you consider reducing the retirement age on a year-for-year basis for each year they did duty above and beyond the two weeks a year and one weekend a month.

I would also hope that you would consider reducing the retirement age on a one-for-one basis for each year that a person goes beyond 20 years, and that would give the senior petty officer, the senior NCO, the O-5, O-6 who Mr. Simmons just spoke about, one more reason to stick around past that 20-year mark if he knows that, instead of retiring at 60, he could retire at 59.

The third thing I would ask you to consider making on a national basis is a very good program that my State of Mississippi has, and that is our State pays the way for our National Guardsmen to attend any of our public universities, even for enlisted people. They graduate from high school. They go do their boot camp, start college next summer. They do the advanced infantry training. I see it as a two-fer. I think it is a phenomenal way for a kid of limited means to know he can get to college, and I think you get some great Guardsmen out of it.

Since we are deploying them so much more often, I think the third factor that I see as a plus is, as a rule, college kids are still single; as a rule, they do not have children. So you don't have the additional problem of what becomes of the family or the additional problem of pulling a guy out of a fairly high-paying private-sector job and sending him to Bosnia for a year and his family trying to struggle on an E-2 or E-3 salary. So I think it is a good program. I know it has been a great program for the State of Mississippi. I would hope that, as we continue to try to sweeten the pot to get people interested in serving, that you would consider that.

I thank you for your service, Secretary White; and, General Shinseki, you have done just an outstanding job. We are really going to miss you. Don't be a stranger around here next year.

General SHINSEKI. Thank you, sir.

Mr. TAYLOR. If you could comment.

Secretary WHITE. I think they all have merit, and we all ought to consider it. As we look at how we will successfully man the Reserve components going forward, the pace that they are at and all the rest of that sort of thing, I think we have to look at precisely those things. We have to look at retirement age. We have to look at incentives to keep people longer and the educational benefits. So I think they all have merit.

We will take those under advisement. Thank you.

The CHAIRMAN. I thank the gentleman.

Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman; and thank you, Mr. Secretary and General, for being here today.

Let me associate myself completely with the remarks the chairman made at the beginning of this hearing about you, General Shinseki, for doing a great job, a very difficult job in probably one of the most difficult times in our history.

Mr. Chairman, we should not overlook the Secretary. Although he was the Secretary, he was privileged to wear the green uniform as well for 30 years, 40 years. You have been doing it, as well.

I have been privileged and lucky to have two Army officers in the district I represent who have taught me more about the Army than I ever thought I would know. One is General Buck Kernan, who, sadly for the Army, has retired and I think is playing golf every day in Pinehurst, North Carolina. And the other is General Bob Dale, for whom I have the greatest respect, who is one of the most enthusiastic human beings that ever lived and is teaching me a lot. I appreciate them both very much.

I was privileged to see your soldiers in Afghanistan last year, and I can tell you that, Reserve or active duty, they love what they are doing. They are enthusiastic about it, and they are doing exactly what they were trained to do, no grumbling, no growling, and we were allowed to talk to anybody that we wanted to talk to.

Both of those comments you should consider high praise from a retired Naval officer. I mean that sincerely.

I have two questions. I don't remember which one of you made the comment that this war on terror is costing you \$650 million, General, \$650 million every year.

General SHINSEKI. Each month.

Mr. SCHROCK. That is even worse, each month.

A few years back, retired Commandant of the Coast Guard Jim Loy came to Congress and said, guys, enough is enough. I will do whatever you want to do, but you have to provide the people, equipment, and money to do it with. I am wondering at what point you get to that point.

Number two, foreseeing what could be a pretty heavy engagement in Iraq, do you have enough equipment and people to handle another such incident somewhere else in America without weakening other areas where you are? Somebody was saying you are spread 120 places around the world. Unbelievable. Could you han-

dle two major conflicts like the one we perceive could happen if the flag goes up in Iraq?

General SHINSEKI. I would just put a fine point on what it is costing us with this current war on terrorism. It is \$650 million a month. It is money that we have already been appropriated, using out of the fourth quarter to pay for this. It raises the discussion of our interest in a supplemental and early to be able to take care of putting back in place the programs that were to be executed in the fourth quarter.

I think in April we run into difficulty with just the operations and maintenance accounts, and in July personnel accounts are being tapped out.

The question of whether or not we can handle a second major combat operation I think all of us have had to look at. One, obviously, is the one that we are awaiting decisions on. The other one would obviously be in northeast Asia. To do that, we would have to look at additional mobilization. But it is—the second major operation is always at risk, you know. The risk was higher, and we have described it that way.

I think it is fair when we describe how we looked at responsibilities—and I think both Secretary White and, I believe, Secretary Rumsfeld and Chairman Myers talked about our strategy of One-Four-Two-One as being the construct around which we describe our need for forces. One being homeland defense, and all of us understand why that is one and why that is at the top. Four was designed around four critical areas of the world—northeast Asia, southeast Asia, southwest Asia, and then back into Europe. And out of those four critical areas we expected the two would be potentially major combat operations and one of them being a large combat go to war. And the other crises would be what we called a swiftly-defeat-the-efforts-of. So that is how those two major combat operations shook out.

I think it is fair to say that there may be, and I would argue, a section swiftly-defeat-the-efforts-of, and this is this thing called the Global War on Terrorism. It will take a lot of energy and resources and manpower to deal with that fight to bring that to the kind of resolution we think is important. But that is going on in Afghanistan primarily but lots of other places, and that goes beyond the southwest Asia-northeast Asia primary focus. So that adds to both the personnel and the resource requirements that come back to this discussion of cash flow and supplemental.

Secretary WHITE. I might add just one thing; that when we say \$650 million a month, that we are cash flowing from the back of the area to the front of the area to support the Global War on Terrorism. What we are talking about in preparation for whatever the President decides to do with Iraq is in addition to that. That is the going state of affairs: Global War on Terrorism, 30,000 Reserve Component mobilized—basically our position we started the year out with. And we have been—the build-up that is currently going on is in addition to that.

Mr. SCHROCK. Thank you. Thank you for your comments.

I guess my prayer is for you and for all the people in uniform is that the Iraqi people will take care of this for us. Let's just hope

that is the case. But, if not, I have confidence that your folks will handle it well and handle it quick. Thanks.

The CHAIRMAN. I thank the gentleman.

The Chair would exercise its prerogative just to ask a follow-up that was generated by this exchange; and that is that, General Shinseki, you have described the priority areas where we see either an ongoing mission or a mission which may be imminent. We maintain the Army in great strength. That was the bulk of the 300,000 Americans deployed in Europe during the days of the Warsaw Pact to offset massive Warsaw Pact armor and other conventional capability right across the line. What is the mission in Germany, the 71,400 Army personnel that are there today?

General SHINSEKI. Well, the—

The CHAIRMAN. Or, excuse me, it is about 55,000 personnel but the bulk of the 71,000 Americans.

General SHINSEKI [continuing]. The mission there is to be again partners with NATO, the outreach to new NATO nations that have joined; and part of the training responsibility, the professionalization with that, is a day-to-day responsibility. But NATO—but Europe is an ocean closer and the forces there I think you will find them being used in a variety of ways, both in Bosnia—that is what the immediate response was—and you will see elements of European forces in whatever happens.

The CHAIRMAN. The reason is today the mission of protecting Germany, in fact, and other NATO nations against this massive Warsaw Pact array of conventional forces is no longer there, is it?

General SHINSEKI. We were there, 217,000, at one point. Now we are down significantly downsized to meet a variety of requirements that are tied to our NATO agreements. I think it is an appropriate time to take a good look at what the posture is.

I think it is fair to ask what will NATO be in the years ahead. I think that there will be a NATO. I think we will still want to be associated with it. It has been a successful alliance. Whether it is the way it is today—it isn't today the way it was just 5 years ago, 19 members and just added to by another group of 7. I think that alliance will be something that we will continue to engage with. So what the footprint is and exactly where it is I think are valid questions to address.

The CHAIRMAN. You experienced several tours in the Germany theater.

General SHINSEKI. I have, yes, sir.

The CHAIRMAN. Is it fairly expensive for our military families? Because part of the argument that is percolating now with respect to replacing the permanent stationing of troops in Europe and particularly in Germany with expeditionary type forces that don't bring the family, the families and all of the structure, the schools, the hospitals, the commissaries that are attendant to large military basing, the idea is that you could save a substantial amount of money by moving toward that type of a rotation, an expeditionary basing, rather than a permanent force basing.

Secretary WHITE. I agree with you. I spent six years in Germany. The Chief spent—I was at Fulda Gap. The Chief was down the road at Schweinfurt.

The CHAIRMAN. You protected it well.

Secretary WHITE. But if you look at how that Army operates today, it is enormously different than when we were there. We might live in the old West German states but work in the new states. Because the training opportunities in Poland and Hungary and other places, the stuff we can do there is a lot better than it is in—so for that dimension for what the Chief of Staff talked about, I think it is time to reconsider it with a blank sheet of paper and really see how we want to be postured post the current environment.

The CHAIRMAN. Is it a lot less expensive to live in Poland in terms—if we should have military personnel based in Poland, as opposed to the German economy?

Secretary WHITE. If you set it up on a brigade rotation as opposed to—which is what the SACEUR is talking about, what we have been talking about for the past six or nine months. So that you would not have dependents there. You would home base the dependents in the United States in our installation structure there. Then you would rotate the brigades on an 180-day basis, which would be a lot cheaper.

General SHINSEKI. I would say that if the comparison was between Germany and Poland, I think there is an identifiable cost differential. If we go on a rotational basis overseas, wherever we position families the requirements will still be there—housing, schools; and those cost factors ought to be included in the analysis.

The CHAIRMAN. Okay. Ms. Bordallo, excuse me for digressing and taking time, but you are now recognized.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Thank you, Mr. Secretary, General, for appearing before the committee.

I would like to just focus a little more on the Pacific area. I represent Guam, and I would like to—I hope that the Army would increase its activity over in Guam. We have the other services very well represented. But today I just—I am curious about—you have a major base in Kwajalein, is that correct?

Secretary WHITE. Yes.

Ms. BORDALLO. I did send one of my staff recently on a trip to Kwajalein, and he came back and reported that Colonel Brown, he is the commander of Kwajalein there, is doing a very excellent job of supporting the Nation's missile defense testing and space program.

Now these programs require properly maintained installations, and I understand that some of the work to maintain the infrastructure of the island is done by a Guam company called Dick Pacific. I believe there is funding in the 2004 military construction (MILCON) budget for \$9.4 million for vehicle maintenance and repair facility. Now I don't know—I am sure that money isn't just for Kwajalein. But I would like to ask you, General, to relate to the committee what are the Army's plan for the future of this crucial Army base and do you have any plans in the future for establishing more activity on the Island of Guam? I am particularly interested because of the situation in North Korea, and we would like to see increased military activity on our island.

General SHINSEKI. Okay. Congresswoman, I don't have specific details about, I think, what you have asked; and that is, are we

planning to increase our presence there in Guam in Army uniforms. But, as you know, we do have a presence in Guam of Army units. Modest but pretty darn good soldiers there.

Ms. BORDALLO. You have a strong National Guard.

General SHINSEKI. Yes, we do. In fact, you saw them go into action after the recent storm in which a lot of the recovery was done by those soldiers. So there is no question about the value of our soldiers wherever they serve. I just can't answer for you right now that there is a definite plan that we will increase the size of that contingent.

Ms. BORDALLO. You know, I am just very concerned about this global terrorism. We are just three short hours away from Korea, and I am concerned about it. I just thought maybe if you were thinking of increasing any activity that you would remember Guam.

General SHINSEKI. We will do that.

Secretary WHITE. Of course, Kwajalein is square in the middle of ballistic missile testing. As the intensity of that program goes up, you will have very high activity level there, I would think.

Ms. BORDALLO. Thank you.

The CHAIRMAN. I thank the gentlelady, and excuse me for mispronouncing your name. I am sorry.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

General Shinseki and Secretary White, thank you for being here. Two comments and two questions.

Number one, I take offense to statements made by the minority leader in the other body that we are not actively pursuing Osama bin Laden. The last time I checked, the 82nd Airborne and other fine soldiers every day in 8,000 foot plus terrain going hand to hand and taking fire are pursuing very actively and effectively that goal. So I wanted to make that comment.

Mr. HAYES. And, along the same line, Mr. Chairman, thank you for your comments about working with some of the former Eastern Bloc countries who seem to be much more enthusiastic about keeping NATO together, pursuing the proper missions that we have over there. I think that is a great suggestion.

Two questions for you. In the budget, and there will be a lot of adjustments, Impact Aid was severely cut. That affects education at Ft. Bragg and other military posts around the country. As we move forward with RCI, Residential Community Initiative, we are doing great things for the soldiers, part of what we just kind of slightly missed is how which are going to fund the Department of Defense Education Activity (DoDEA) schools.

What are your thoughts, both you and the Secretary, on how we are going to fill in that gap and take care of that important education component?

General SHINSEKI. Let me just say, Congressman Hayes, that education has always been a very top priority for not just the Army, but for soldiers. This is one of those things they consistently bring up to us.

Congressman Thornberry's question about are youngsters able to talk to the leadership. Every year, you know, we have an Army family action program conference here in which installation rep-

representatives come to Washington, visit with us there concerning priorities. And education always comes up at the very top.

Our Department of Defense schools on our installations are a major part of that program. Impact Aid down in the local school systems is a major part of that. I just discovered the fact that Impact Aid was reduced significantly, and so we are into trying to understand what that means.

But, we are hearing from a number of our representatives about the impact potentially to their school districts as well as to what it means for our service member students. I will give you a better answer once we get into it. I just know the impact will be significant.

We are also interested in offering the opportunity for our soldiers, wherever they serve, education being important, to seek in-state tuition opportunities for those locations where we have a significant soldier population. And this is always a tough one to work. But, we have been successful in some areas, and so pursuing even continuing education opportunities for soldiers and their families in the long run is benefit added. We will continue to work these. But I will get back to you on Impact Aid, and what that means to—certainly to Ft. Bragg, but to some of our other school districts, as well.

Mr. HAYES. Thanks for the comment. And Impact Aid is a vital piece. It is separate and together with the Residential Community Initiative (RCI). As we fill that housing, we are in the middle of the comprehensive development plan, we need to scratch around and see how we are going to fund that component.

Secretary WHITE. Right. We are a married Army. And here we go at Ft. Bragg, we are going to have a great RCI program, you and I have talked about that. It is one of the best things we are doing. And if we don't tend to the education side of it, we are not going to get the measure we want. So you are absolutely right.

Mr. HAYES. Now, just let us know what you need from us, and we will be happy to aggressively pursue it.

The other area is encroachment. We are looking at some very positive relationships, the Nature Conservancy and other similar groups that are good for the environment, good for conservation and good for the troops.

Just give us an update on some of the problems that you are facing because of encroachment and comment on how well, or what the potential is there and how we can work to realize that as a real aid to our forces?

Secretary WHITE. Well, in the range restoration preservation initiative that we started with last year, that I think has been resubmitted this year, what it basically—the sum total of all of that is that we have a tradition in the military, I think, of taking care of our installations and finding ways to accommodate the specifics of, say, the red-cockaded woodpecker and its habitat in the Ft. Bragg area.

The Corps Commander there probably knows as much about that bird and its habitat as a naturalist does. So it is not a matter, as we seek relief from the Migratory Bird Act or certain provision of the Endangered Species Act, that we want to abuse the environment, we have to have a reasonable balance here, so we can con-

tinue to train. I think that is the thrust of the initiatives that have been resubmitted.

And hopefully we can get favorable resolution. Because if not, and if particularly the way litigation has come out in regard to these acts, forces us to an extreme interpretation of them on military installations. Training in a lot of cases will be severely impacted.

General SHINSEKI. Encroachment is a large part of our discussions, because for our formations we have to train. Wherever we are, we have to train or we miss the obligation to prepare our formations before they go off and do the tough missions. Some of that encroachment is environmental, some of it is other encroachments, whether it is farming land that creeps up, or the construction of housing areas that become, over time, of interest. So it is sort of a multifaceted discussion.

I think we engage in all of them. To include the one that some would say is the most emotional, which is the environment, we have, over time, engaged and been able to demonstrate that we are also stewards of the environment. And to the degree that we can adjust or invest, we do so. At some point, if there is a division about with whether or not this training must go on, we have had pretty good support on conducting the training and not having what we encountered about ten years ago, which was court-imposed injunctions and the stopping of training at places like Bragg and Benning and Ft. Polk. We have worked through that. But, there is additional work to be done here.

Mr. HAYES. I thank you for comments. Chairman Hunter has a few little problems with riding buses and things in his district, as well. But I think it is important to remind the public that the Army in particular, the military in general, has an outstanding record and is not often recognized enough as the best land managers around.

The naturalists are important, realists are important. I think the military has done a good job of marrying these concepts together and meeting everybody's needs, but first and foremost, securing the country. Thank you again.

General SHINSEKI. Sir, if it comes out, the final bottom line here is if we can't train, we have to go someplace where we can.

The CHAIRMAN. I thank the gentleman. And I recognize the distinguished gentleman, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. I have questions first regarding Impact Aid and second overseas Base Realignment and Closure (BRAC).

It doesn't sound to me as if the administration is speaking with one voice on Impact Aid. I got the impression that you all thought it was a pretty important program. I am on the Budget Committee, as well. And we received testimony last week from Director Daniels, who implied heavily that Impact Aid was not a very good program, that he didn't mind the cuts that the budget is putting on Impact Aid.

Congressman Chet Edwards from Texas pointed out yesterday on the floor that his folks at Ft. Hood, Texas, right while they are being deployed, are facing cuts in Impact Aid back home. I am sure that is going on all over. So I hope the administration can coordi-

nate its mission on Impact Aid, speak with one voice, either it is a good program or it is not. If it is a good program, it should be adequately funded. Because our servicemen and women should not face this threat to their own kids' education back home right as they are being deployed.

Second, on overseas BRAC. Can't help but note from your charts here that Germany and France have, by far, more U.S. bases than any other European countries. Germany, of course, leads the pack with 591. France is second with a mere 21.

Can you tell me how many of the German bases are, in fact, necessary for the U.S. Military in our defense?

General SHINSEKI. Well, I think we can speak to the Army bases, of which there are several. What we have left in Germany today is a theater headquarters, a Corps, a Fifth Corps, with a set of units that round out a Corps, and two divisions of two brigades each. Significantly downsized and focused on operations that are not just focused on Germany, but out of sector.

These were the forces that went immediately to the Balkans when, five years ago, that requirement stood up. These are forces that potentially will be employed elsewhere in the NATO region, which goes not just to NATO proper, but includes the operations that we are standing by for.

Specifically, these bases in—where they are currently located in Germany, are a carryover from our years of having been there, Secretary White and I. And as we have indicated earlier, it is probably an appropriate time to have this discussion about what our footprint over there ought to be at a time when there is tremendous interest in professionalizing armies that used to be part of the former Eastern Europe formation.

Mr. COOPER. About how many of the 591 U.S. bases would be Army bases?

General SHINSEKI. May I get back to you for the record on that, to give you exactly that number.

[The information referred to can be found in the Appendix beginning on page 233.]

Mr. COOPER. Another question. How about accelerating the BRAC process just for German bases right now? Wouldn't that be a good thing to do in light of the hardship that is expected all over this country when the BRAC round resumes with U.S. bases. Would you object to going ahead and accelerating that process?

Secretary WHITE. Well, I think the first thing that has to go in Germany and in Europe in general is, with our work with the combattant commander and with Secretary Rumsfeld's staff is figure out what the force posture is going to be there.

And then, and that needs to be sorted out fairly rapidly. Because, the structure will be returning. And then, based upon that answer, what the appropriate installation structure is to support it and get on with it.

And, you know, he talked about it while he was here in front of the committee. And so I think you will see that pursued with urgency.

Mr. COOPER. Good, because considering the time value of money, the fact that we may be able to close what 2- or 300 bases here in Germany, I think that would be important for Americans to see

that we are doing our base closures overseas first, before we imperil domestic facilities.

Just for the record, I have no facilities in my district, so I am not worried about myself. But we need to take care of our overseas business first.

General SHINSEKI. Just to put a final point on this, Congressman. I think that is an appropriate question. If you look at where we have closed bases over the last ten years, you will see that we have very much looked at what you are asking us to look at here. And that is, see where we could take that downsizing overseas before we affected our bases here in the States.

Mr. COOPER. With all due respect to the chief, though, 591 bases in one country is an extraordinary number. I bet most Americans, even those who served in Germany, would be surprised at that total. Thank you.

The CHAIRMAN. I thank the gentleman. And I would inform the gentleman and the committee that the Chair has announced that we are going to have a hearing, and perhaps a series of hearings, on the potential realignment of American forces in Europe, and obviously that is with a focus on Germany, because some 71,400 of the troops of American personnel who are in—of 100,000 or so American personnel in Europe, some 71,400 are in Germany. The vast preponderance. About 55,500 of those troops are Army troops.

General SHINSEKI. That is right.

The CHAIRMAN. So we know this is going to involve you folks fairly extensively, and we have got that hearing set for the week of the 24th.

The gentleman, Mr. Franks, from Arizona.

Mr. SAXTON. Will the gentleman yield on that point? I think it is a very appropriate idea to have a hearing on this subject. And I might add that as I ate breakfast this morning, I had a newspaper in my hand, and one of the headlines right on the front page was that there apparently are a significant number of—let me put it this way: Apparently there is a significant feeling within the current government in Germany that maybe we have too much presence there.

And I couldn't help but notice that, because of the current events and recent news that we have been privy to almost every day, of the level of cooperation that we are receiving from the current German government. And so, I think political—international political considerations are at play here, as well. And I think that we should make that clear.

The CHAIRMAN. The gentleman makes a good point. And one point, of course, to be made, is that there is a certain dimension of what you would call community support, meaning that when the troops move out or are deployed, their families are left in that community. If you deploy from an American community, whether it is Ft. Dix or Camp Pendleton, you have a community support structure of community organizations, relatives, friends, which provides some modicum of comfort for the family.

If you are in a base in which the family members, upon exiting the base into the general community, are confronted with anti-American demonstrations, that tends to put a good deal of stress into that community of American dependents.

And I think that is—although that is not a predominant factor in terms of where we should be stationed, it is certainly a relevant factor, and one we should look at. So I thank the gentleman. And I look forward to good attendance by the committee at these important hearings.

Now I would turn to the gentleman from Arizona, the distinguished gentleman, Mr. Franks, who is stepping into the very large shoes of our retiring chairman, Bob Stump. Thank you for being with us, and I think you have got the last shot here.

Mr. FRANKS. Well, thank you, Mr. Chairman.

Mr. Secretary, General, I wanted just to echo the appreciation of everyone here on the committee for your presence here, those who attend you.

I think all Americans recognizing intrinsically that it is the soldier and not the politician that pays the price and bears the burden for freedom. And it must be a tremendous source of satisfaction to each of you to know that coming generations and Americans that are living today will enjoy a greater measure of freedom because of what you have done and what you continue to do.

And with that in mind, General, I know the last four years must have gone very quickly for you. And your successor will face some pretty significant challenges. And if you were to give him one overriding principle or piece of advice that was essentially your parting admonition or just piece of advice for him, what would that be and what insight could the committee gain from that, sir?

General SHINSEKI. Well, Congressman, whoever sits here at the next hearing is going to be a great soldier with a great set of credentials gained over, much as I have gained mine, over a number of years. And I think what was helpful to me, and I won't offer it to him, because I think that he will come to his own conclusions. I have tried to be the soldier's spokesman in this audience, to ensure that the needs of our soldiers and our civilians and their families was well represented to establish the priorities on how we looked after their needs.

And then, where we weren't able to do that, to make that clear to this committee and seek your support and assistance. We can describe the needs in a variety of ways, programmatically. But what makes greater sense in here is to ensure that those who signed up to carry the difficult missions we always assigned to them, and it is always at risk, that we have done our very best to take care of their needs.

Mr. FRANKS. Well, thank you, sir, and thank all of you for what you mean to America. Mr. Chairman, I would just yield back the balance of my time.

Mr. MCHUGH. I thank the gentleman. And the gentleman from Hawaii, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman.

General Shinseki, perhaps it is entirely coincidental, obviously, that I am the last person to be asking questions or making comments this morning. But, as your friend and neighbor from Hawaii, I just want to express as well my high personal regard and affection for you and your family, and to bring you, I am sure, on behalf of your fellow citizens in Hawaii, the same high regard and affection and express to you our profound gratitude to your service to

the Nation. And our delight and pleasure in knowing that you are a son of Hawaii.

General SHINSEKI. Thank you, sir.

Mr. ABERCROMBIE. Another, just a further comment to both to you and to Secretary White, not to you specifically, but Mr. Chairman, for purposes of perspective, I was fortunate to be in the—with the group of Members who were in Munich this past weekend at the security conference, and at the briefing we had with General Jones.

I really want to express and make certain that it is understood, and I am assuming that you will agree, any changes we are going to make or are contemplating making with respect to the placement of forces in Europe has nothing whatsoever to do with policy differences that may or may not exist, or particular positions of the moment politically that may or may not exist.

Every decision that is being or—I won't say every decision, but every recommendation we were asked to consider by General Jones in the macro sense, and however they manifest themselves in actual troop deployments or base activities have—do you both not agree, everything and only to do with decisions about what are in the strategic interests of the Nation and the military and have nothing to do with particular political fashion of the moment?

Secretary WHITE. I agree with that.

General SHINSEKI. I agree with that.

Mr. ABERCROMBIE. Okay. Because, I am afraid, unfortunately, already in the press there is a little bit of a tendency to start taking particular political circumstances and commentary back and forth, as if this was something that just popped into our heads recently and is being put forward as a kind of—not revenge exactly—but a kind of, “my feelings were hurt, therefore I am going to show you,” which has nothing to do with what we are contemplating, correct?

Secretary WHITE. Correct.

Mr. ABERCROMBIE. That is a fair summary?

Secretary WHITE. Yes. I am sure the Sec here said that when he talked to you.

Mr. ABERCROMBIE. Of course he did. There was not a word said with respect to particular difficulties or contentious issues that were being raised right now. This has to do with how do we project the forces of this Nation in an effective manner within the NATO context and within the overall strategic interests of the country.

Secretary WHITE. Agreed.

Mr. ABERCROMBIE. Thank you, Mr. Chairman. I think that is important to have on the record. We are not engaged in these hearings on something that is involved with anything other than what is the best interests of this Nation with respect to what this committee's jurisdiction is.

The CHAIRMAN. I thank the gentleman for his comments. Let me just add, though, that when I made my announcement that we are having hearings on this, I did point out that I had talked to Sec here before he went over, and he talked about the new, the expeditionary concept that also manifests this ability to move, and in that manner is also manifest in the Quadrennial Defense Review (QDR). And so it is something that was discussed earlier.

However, I would just say one thing to the gentleman. When you are making a determination of where you are basing, there are a number of considerations. One consideration is cost, and you now have a number of other nations in Europe which may or may not offer a lower cost of living, especially to American families that have to live on the economy, and lower cost of basing.

And last there is—and everybody who has gone through a base closing in their community knows this—there is a relevance as to how the particular community in which American uniformed personnel are based are treated. And that is, of course—while that is not the predominant issue, the predominant issue is number one, mission, as the gentleman correctly stated; and cost also is a secondary consideration, but nonetheless a strong consideration; but also, the treatment of the people that live in that particular community by the community, whether it is based in the United States or based overseas. While it is not controlling, it is relevant, and is certainly a factor to be considered.

So if you have all things being equal, and you didn't have a strategic requirement, and the strategic requirement of defending the Fulda Gap that was the driving—what was the basis of the overwhelming majority of American troops being based in Germany, there is not a single tank now on the other side of that gap braced for invasion. With that going away, you move to the other considerations for basing; that is, whether you have a hub for deployment, which that place is, and, General Shinseki mentioned the Balkans deployments that came from that location. Also, you look at your investment, you look at what it could cost to replicate it elsewhere, but you make those match-ups. And one relevant factor is the desire of that particular community to have an American base in that community, and also their treatment of the families of those personnel, because quality of life for the attending personnel, that is the family members, is highly relevant and of great concern to any commanding officer and to the service leadership. And so the way those folks are treated when they move in that community, in that society, is relevant.

And so I wouldn't say it has absolutely nothing to do, I would say it is not the primary consideration.

Mr. ABERCROMBIE. Well, that is an important point, although I must say that I detected nothing from any comments we heard there, nor certainly from General Jones, that there was anything other than complete affinity between the communities and the people stationed there. I didn't hear anything about treatment. We don't want to confuse the fulminations of policymakers with day-to-day treatment in the community. I haven't heard anything like that.

The CHAIRMAN. Well, no. And I would say we are going to have this hearing on the week of the 24th. At that point all of these criteria that I have mentioned will be discussed. Certainly that will be one of them.

Mr. ABERCROMBIE. But, in any event, I am pleased to see that the BRAC question is not exclusively in the purview or within the boundaries of the United States.

Then just two other points quickly. I know it was touched on, or may have been touched on, when I wasn't here, but I do want to

elicit your commentary, General Shinseki, to the degree you are able to say it, and if you have a policy of the Pentagon that can be stated with authority, Mr. Secretary, I would like to hear it.

We are going to have more and more discussion not only in this committee, but in the broader public over this deployment of troops into Colombia, and this question of whether we are guarding a pipeline, a private pipeline for oil, is to me very, very unfortunate.

I think it is no news to anybody, least of all to the both of you, that people like myself and Representative Taylor and others have had considerable consternation over this policy of sending anybody to Colombia as it is now. But some of the people that are down there now are among the most highly trained professional soldiers, maybe the most highly trained, of virtually any soldiers maybe in the history of the country in their capacity, and I am very, very concerned that we are going to utilize their professionalism in a manner that will cause—because of their capacity, because of their lethality, because of their proficiency, put them in circumstances where the politics of this are going to overwhelm them, are going to overcome them, and events are going to get in the saddle and ride us.

I would like to know if you can say today what precisely is the mission of the people presently deployed in Colombia, and does that mission now include taking a position with respect to this rebel or combination of rebel movements, and that the United States is now taking a lead position in fighting these rebel movements?

General SHINSEKI. I am not aware that our soldiers are taking a lead in combat operations.

Mr. ABERCROMBIE. How are they going to avoid it?

General SHINSEKI. I am aware that our mission down there is to train formations of the Colombian Army and raise their combat proficiency.

Mr. ABERCROMBIE. Is this not taking place in the field?

General SHINSEKI. I will have to get you a better answer on that, Congressman.

Mr. ABERCROMBIE. Mr. Secretary, is this not taking place in the field?

Secretary WHITE. I don't have anything to add beyond what the Chief of Staff said, and we will have to get back to you with more details.

Mr. ABERCROMBIE. Well, I will yield to Representative Taylor.

Mr. TAYLOR. Mr. Secretary—out of deference, General Shinseki, I really didn't want to ask this question. I didn't want to have him going away on a bad note. But this is a policy question. It is not with the Army, it is coming straight from the Administration.

For all of the reasons that my colleague just articulated, that these are by and large the very best soldiers in an Army of good soldiers, and they would never question orders; they are going to do what they are told. That is just one sign of them being good soldiers. How on Earth, should one of those kids be from Mississippi, and should one of those kids die guarding a pipeline owned by Occidental Petroleum, through which Colombian National Oil Company oil flows, and the Colombian National Oil Company had record profits last year, and every other oil company in Colombia

hires private contractors to guard their pipelines, should that kid be from Mississippi, and should he die or be maimed guarding that pipeline, what do I tell the family? Were they preserving democracy? Were they somehow bringing light to a people under—because I don't see it. And, quite frankly, you may be at their funeral, but I will be there, too. And the difference is you are going to go back to Washington. I live in Mississippi.

What do I tell that kid's parents or his family?

Secretary WHITE. I cannot enlighten you about the specifics of the mission in Colombia. I am just—I have not studied it in tremendous detail.

Mr. TAYLOR. Mr. Secretary, I would hope that you would. We have just sent 300 of your very best down there for the purpose of guarding that pipeline. I have done my homework on this. I am not so sure this is what our government ought to be all about. For those people who question the war in Iraq, I don't, but their big expression is no blood for oil. This is pretty close to what they are talking about.

Secretary WHITE. I understand your point.

Mr. TAYLOR. I would hope that you would get back to me, sir. And I hope I have said this as respectfully as I can.

Secretary WHITE. I understand.

Mr. TAYLOR. I respect the both of you.

Mr. ABERCROMBIE. I want to be on the record with you, Mr. Secretary. I realize that you are not in a position to be the originator of orders on this. During our committee hearings is when you get the opportunity and the American public gets the opportunity to hear what we think about these things. It is out of—I want to reiterate that it is out of respect for the soldiers that are there, and out of respect for what the Army is trying to accomplish now in terms of its transformation, of which—in the process of which you are a key element, I might say, Mr. Secretary. And that is appreciated and understood by members of this committee, me in particular, I can tell you that.

I would not then want to see bad policy then start dictating how we then view—or the prism through which we get to view what those soldiers are capable of. I don't want an ignoble mission set forward for these very capable and estimable people.

Secretary WHITE. I understand the point. I will get back to you.

Mr. ABERCROMBIE. Last thing. Speaking of the transformational capabilities, I am not precisely sure, General Shinseki, what is meant—maybe I should ask the Secretary rather.

Mr. Secretary, I am not precisely sure what is meant by additional capabilities for the Stryker brigades, for the fifth and sixth. What bothers me is the Pentagon seems to have gone to the accountants to explain why they are a little hesitant about the fifth and sixth Stryker Brigades, as opposed to whether or not the mission for which they are being formulated is being advanced.

They talk about further capabilities or even more transformation. Precisely what do they want, and what is it going to cost, because this committee has been very, very responsive to the requests of the Army with respect to the Stryker brigades, because they think it makes good operational sense, good strategic sense, transformational sense.

If there is something that we don't know about yet, or something that we need to fund or to change our policies around in order to accommodate these further capabilities, I am sure you will find a responsive voice here, but it hasn't been given to me. The only thing that I am able to get out of this is you have got your bean counters wondering whether they are going to have enough money for it.

Now, I don't want to go with this Stryker force that way. That was not the way it was presented to us. The way it was presented us was here is what we need to do to transform the Army. Now, we got to go find the money, yes. But it wasn't presented to us, "here is how much money we have, what can we get for it," and then try to shape the Stryker forces or the Stryker Brigades around the money.

Secretary WHITE. Well, it wasn't a bean counter. What we had was—in the run-up to the submission of the 2004 budget was an ongoing dialogue with the Secretary of Defense and his staff about the whole Stryker business; not only Brigades five and six, but Brigade four. And he has asked us to study whether the structure of the—and it is not really an affordability question, because the money is in the program for Brigades five and six; nobody pulled it, it is in there. And, of course, we fully funded 2004 for the second Armored Cavalry Regiment (ACR).

The question is should we add things like aviation to the brigade, or should we add additional intelligence or surveillance assets? So the question is, fine-tuning the structure of the brigades as opposed to do you have enough money to pay for it?

Mr. ABERCROMBIE. Okay. Then can I conclude—thank you, Mr. Chairman, for your indulgence.

May I conclude then, or may the committee conclude then, that it is unfortunate that the public presentation, or at least the media presentation, tends to focus on this cost versus mission; that that is not an issue as far as you are concerned? The question—the real question here, or the only question here, is how do we maximize the capability of these Stryker brigades?

Secretary WHITE. That is a fair characterization.

Mr. ABERCROMBIE. And then, if that is the case, then the only reason that I think we need to find as soon as possible what direction you want to go with it is that this will inform us as to what we should do by way of preparing training facilities and so on, because they may need to go in a different direction, too.

Secretary WHITE. Yes.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

And thank you very much, Mr. Secretary, and, General Shinseki, aloha.

The CHAIRMAN. I thank the gentleman.

And, gentlemen, you might want to put together, and don't take too many resources to do it or reinvent the wheel, but put together a little briefing team on the Army presence in Colombia, the mission, and their day-to-day operations, and we will have—we will try to get a few Members together, and Mr. Abercrombie, myself and others, and Mr. Taylor, and we will talk about this.

Secretary WHITE. We will do that. Thank you.

The CHAIRMAN. The gentleman from Georgia Mr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman. I apologize for coming in late. I am learning as a freshman that there are a lot of things going on concurrently.

I just want to take the opportunity to thank the Secretary and Chairman for being here and appreciate what you are doing for the country. And I feel very confident in your report. Thank you very much.

The CHAIRMAN. Mr. Gingrey, that was by far the best question of the entire session. We really want to thank you for giving them a good send-off. And this is—has been a very good session.

I think, General Shinseki, before we turn in here, the gentleman from Missouri, Mr. Skelton, has a few things that he wants to go over, and I have got just a few final questions or points.

Mr. SKELTON. Thanks so much, Mr. Chairman.

This Congress established recently an 18-month Army enlistment. For the record, at a later time, Mr. Secretary, would you furnish this committee with the status of that provision?

Secretary WHITE. Yes.

Mr. SKELTON. Please.

[The information referred to can be found in the Appendix beginning on page 227.]

Mr. SKELTON. General Shinseki, you went to an intermediate war college; did you not?

General SHINSEKI. Intermediate?

Mr. SKELTON. Ft. Leavenworth.

General SHINSEKI. Yes.

Mr. SKELTON. You went to a senior war college; did you not?

General SHINSEKI. Yes, I did.

Mr. SKELTON. Which one?

General SHINSEKI. The National War College here in Washington, D.C.

Mr. SKELTON. Did you find that those experiences—and they were a year each; am I correct?

General SHINSEKI. They were a year each. That is correct.

Mr. SKELTON. Did you find those experiences have helped you in your career?

General SHINSEKI. Yes, sir, they have.

Mr. SKELTON. Mr. Secretary, you retired as a flag officer; did you not?

Secretary WHITE. Yes, sir.

Mr. SKELTON. Did you attend an intermediate war college?

Secretary WHITE. Yes, sir.

Mr. SKELTON. Which one?

Secretary WHITE. Command Staff College at Leavenworth, same class at the Chief of Staff.

Mr. SKELTON. Did you attend a senior war college?

Secretary WHITE. Yes. Army War College.

Mr. SKELTON. And did you find during your Army career that those two one year experiences were of help to you as an Army officer?

Secretary WHITE. Yes. Very much.

Mr. SKELTON. One other subject that has bothered me for some time, and our friend Charlie Rangel has brought it to the fore by his proposal to establish a draft. I have noticed in my various visits

to military installations, in particular Army installations, that the young men or women that I go down the line with, whether it be machine gun training line or a chow line, come from farms, small towns, or inner cities, and I find very few of them, if any, coming from the more well-to-do suburbs of America. And Mr. Rangel's proposal on a draft touches this subject when he correctly states that it is not a true cross-section of America. And I realize that this is an all-volunteer force.

What, if anything, is the Army doing to attract young men and young women across the board that are true representatives of America, as you slice across the country?

Secretary WHITE. Well, we are very, very happy with the results of our recruiting from a—obviously from a quantities perspective, but, to your question, from a quality perspective our recruits are 91 percent high school graduates. The mental categories look good. The minority representation in the United States Army, we are a little bit underrepresented in the Hispanic community, which I think is an important thing for us to address going forward. We are where we should be in African American recruiting. So I like the cross-section of America that is currently volunteering to serve in the United States Army. I think it is the best we have ever seen.

General SHINSEKI. Well, I would agree. I mean, there may be places in here as we look at representation of our various communities where we would say, as the Secretary has said, in the Hispanic community we need to be a little bit more successful in recruiting in that particular community. But even over the last few years, that has shown significant increase.

Mr. SKELTON. You are not answering my question. My question deals with a true slice of America. Go start knocking on doors at a well-to-do suburb anywhere in America and ask, do you have a son or daughter in the United States Army? Invariably the answer will be "no."

So I will ask the question again. What, if anything, is the United States Army doing to attract a true cross-section of America? It is not a matter of quality. Goodness knows you have wonderful soldiers, wonderful soldiers, and we are so proud of them. But I am talking about a cross-section of America. There is no answer.

General SHINSEKI. I would have to think about how to define a true cross-section of America.

Mr. SKELTON. Well, suburbia in America is a great part of America. Start knocking on doors. Do you have a son or daughter in the military? Do you have a son or daughter in the Army? The answer will be no. How do you interest those young folks?

I am going down to Ft. Monroe and talk to the Training and Doctrine Command (TRADOC) folks in a few days. I will put the same question to them. You might alert them.

General SHINSEKI. I will.

May we start off with there is no true answer here; you need to get into the discussion.

Mr. SKELTON. Well, that falls in the category of think on those things.

The CHAIRMAN. Let me interject on that question, too. I want to—I am reminded that the Ranking Member's family participates very substantially, and has traditionally, in the military. But I

want to—I think there is a point to be made here. That is that the initial statements by our good friend, good old veteran of this 25th Infantry Division, Charlie Rangel, upon examination of the facts by DOD, and they were made with respect to ethnic categories, turned out to be wrong. That was the subject of a story in USA Today.

And they then began to talk about whether or not if you went to places like Princeton and Harvard, and which formerly in World War II produced lots of folks that joined the U.S. Military, why you had a low participation there, and the general sense that perhaps folks from suburbia aren't participating.

Those are generalized statements which may be—and certainly you have the numbers of people coming from these colleges and universities. I think that is something that you can't ascertain, but whether you have a representative mix is not something that is—that has been demonstrated, while it is demonstrated anecdotally, hasn't been demonstrated by analysis.

So I think we need to see that. But I think I would say to my friend, you know, a lot of folks can't make it in the U.S. Military. And there are lots of folks who are being turned down every day in all of the services. It is tough to get in. It is tough to pass these tests. The tests have to be in place.

I would say to my friend who says, what do we need to do to attract folks that come from these institutions, and perhaps I am pointing to the Princeton, Harvard and Yale, I would say the fact that a lot of those young people don't want to join the U.S. Military isn't the problem of the U.S. Military, it is their problem.

Serving in the U.S. Military is a privilege. It is not a burden. It is our finest citizens that join the U.S. Military. If they don't want to be among our finest citizens, that is their decision. And so in talking to—and incidentally, facetiously I heard some Republicans talking the other day, talking about they think that there is—Republicans are disproportionately represented in the combat arms, and they wanted some Democrats to register. I am being facetious, of course, but they were referring to the election results in Florida and the attempts of the Gore campaign with their 32-point memo to keep the absentees from voting. That wasn't because they were going to vote Democrat. But I say that facetiously, and I hope my friend will take it in good humor.

Mr. ABERCROMBIE. Will the chairman yield a moment?

The CHAIRMAN. I will yield to my new registrant from Hawaii.

Mr. ABERCROMBIE. I want to point out, Mr. Chairman—

The CHAIRMAN. Let me complete my statement. Then I will yield to my good friend.

I think it is a privilege to serve in the U.S. Military, and I think we have got our finest citizens there. And I think the question should be directed to institutions like Princeton and Yale, and to the faculties, as to—I think we should ask them to ask this question of themselves: Why aren't they producing people who want to follow that flag that gives them their freedom and their economic opportunities?

Mr. SKELTON. If I may interrupt, Mr. Chairman.

I think, Mr. Secretary, you ought to adopt his answer.

The CHAIRMAN. I yield to my friend from Hawaii.

Mr. ABERCROMBIE. Mr. Chairman, I just wanted to point out that you were talking about how tough it is to get in the Army. On the other hand, Representative Taylor got in. But my understanding is—my understanding is from General Shinseki, and I am sure Secretary White will say, the tests have been considerably raised since that time, so that that wouldn't necessarily happen again right now.

But, more seriously, Mr. Chairman, the whole point here, I think, if Representative Skeleton will indulge me a moment, there were many of us, Republican and Democrat, who discussed with the late Stephen Ambrose—we had a little discussion group with him, and among other things discussed during that time, as you will recall, was universal service, which is what we are talking about here, which could include service in the armed services, for your benefit and amplification on Representative Skelton's remarks.

And included in that the whole idea here, it has been grabbed by the press that when we are talking about diversity, that this is racial or perhaps ethnic, but what we were really talking about there is class, if there was to be any diversity at all. That is to say, if we are going to have universal service, what we were talking about is quite literally the universe of those who would be eligible by virtue of age; and to commit to universal service, was this a policy of the United States that we should consider and take up for consideration?

Concomitant with that, obviously, would be service in the armed services. And to the degree that the armed services, by virtue of the voluntary nature of it and the particular appeals that are made by the services now to induce people to consider the armed services, that it was likely that there would be a class bias in that. Not that it is a plot or a conspiracy, but that if there was to be a differentiation within the ranks, it would more likely be on the basis of class, regardless of the racial capacity.

In fact, I would be happy to state for the record that my belief is that the Armed Services, the Army in particular and the Marines, have an excellent understanding of the possible sources of their recruitment, and have a terrific record in terms of racial diversity, ethnic diversity and reaching out for—affirmative action, if you will, in the armed services, I think, which would easily stand anybody's scrutiny with regard to how successful that has been across the board.

But, by definition, a volunteer armed services, you are inevitably going to run into class differences as is reflected in the college graduate discussion that we have been having, or the college-age person.

I must admit, in conclusion, that it is very disconcerting to me to see people who are all too eager, especially younger people, all too eager about going to fight here or going to fight there who have no intention of doing it themselves, but have every intention of cheering forthrightly and loudly when somebody else goes off to do it. That is what I think the impetus behind the question of the draft is, or selective service.

And I might ask in that regard, do you have a position with respect to selective service? My position is that at the age of 18, ev-

everyone should register for selective service, men and women. We have women serving in the armed services now. I think it is at best a disconnect, and at worst it is a fundamental hypocrisy to have young men register at 18 for selective service and have women left out of the picture. Should selective service have to be transformed into a draft at some time in the future, my belief is that everybody should be subject to it, including males and females.

Secretary WHITE. I mean from a personal perspective, I don't think the——

The CHAIRMAN. The questions aren't getting easier, you realize.

Secretary WHITE. No. You asked that question of the Secretary, I think, when he was here.

Mr. ABERCROMBIE. Yes.

Secretary WHITE. As I recall, what he said was——

Mr. ABERCROMBIE. I was asked to be put on the dance card at the time.

Secretary WHITE. But he, as I recall, he said that the administration was not contemplating any change in the draft registration laws. But the United States Army is 15 percent female. They perform vital roles. They are high density in some of our combat service support. So it would seem to me logical that you would register women as well as males, because we have done an excellent job over the past 30 years of fully integrating female soldiers into our organization.

Mr. ABERCROMBIE. Well, I will conclude with this, Mr. Chairman. I appreciate your indulgence.

Secretary WHITE. That is my personal view.

Mr. ABERCROMBIE. I understand. But see, to me the most blatant discrimination in terms of the volunteer service and/or consideration of a draft is that—is to me the screaming hypocrisy of having selective service, which is, after all, the first—it is the foundation—it is the foundation of all of this consideration in the first place, is that every male at the age of 18 has to register for selective service, period.

And so all of this discussion taking place with this—there is this big animal in the corner of the room that nobody is looking at, which is the most blatant discrimination and bias, is that we still have gender segregation with selective service. So I for one feel that if we at least got that out of the way, we could have a conversation that wasn't hypocritical from the get-go.

But thank you very much, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And, General Shinseki, we are giving you a going-away party to beat all going-away parties.

The gentleman from Georgia, Mr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman. I did have a very short comment when I first had the opportunity, but, of course, now it has changed a little bit when these last comments came up. So I truly do have a comment to make and an easy question.

My comments basically have already been stated, and much better than I can do it, by our chairman. But to expect to have a true cross-section of our society in our Armed Forces, I think, is a little unrealistic. I can see both sides of this argument, the side for re-

instituting the draft, and the side of the argument that the all-volunteer Armed Forces are working quite well.

We are getting men and women in the Armed Forces on a voluntary bases because they want to be there. And I quite honestly am comfortable sleeping at night knowing that each and every member of the Armed Forces is there because they want to be there, and they are qualified to defend this country no matter what side of the track they happen to have been born on.

And my question to either the Secretary or to General Shinseki in regard to getting at this in another way, I will never forget the movie *Born on the 4th of July*, starring Tom Cruise. That young man was in high school. A Marine recruiter came, talked to that class or that school about serving in the Armed Forces and what a great thing that would be for a young person to do.

Why don't we look very closely, Mr. Secretary, at trying to encourage, maybe if not mandatory, but to—for our government to support Junior Reserve Officer Training Candidate (ROTC) programs and have them in more of our school systems across this country so that our young people, not at the time they get to Yale or Princeton or Harvard or even Georgia Tech, where I went—let's get them at the high school, junior and senior level, and teach them—teach them a little American history.

I am serving on the Education Committee as well as on Armed Services, and we talk about that a lot, about mandatory history and that sort of thing. Let's get—through the Junior ROTC program, we could teach these young people history, patriotism, desire to serve, whether they serve or not. And I don't disagree with Mr. Abercrombie in regard to the registration of each and every 18-year-old under the Selective Service System. Whether we ever institute the draft again, I think I agree with him: Males and females should be registered.

But what we need to do is encourage more people at the high school level, you know, even though some of them may be well qualified to get into our very best universities, both private and public across this country, and they may be coming from the most affluent family in their community, both parents college graduates, a computer in every room, et cetera, et cetera. If you motivate them at the right time, then I think a lot of them would join our armed services and end up, Mr. Secretary, with all respect to you, hopefully sitting where you are sitting today. It is a great career. And I think that is probably the right approach.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. And one thing I wanted to note was being down at Quantico, at the Marine officers program here a couple of months ago, it was interesting. The Commanding Officer (CO) at the school told me that he had been approached by several Ivy League schools who wanted to send their graduates through Officer Candidate School (OCS), through the officers school there, and he turned them down. He said, you can't go through without signing up for the program. They wanted it, interestingly, for the credential of being an officer in the United States Armed Forces, in this case, Marine Corps. But I think probably you have the same situation with respect to Fort Benning.

And so this is what we have got. We have got a situation where we are—a history whereas I recall Theodore Roosevelt's father in the Civil War, a thing that always bothered Roosevelt is that he had actually hired a stand-in, and in those days you hired a stand-in to go to war for you, and your family could—if you were wealthy enough, you could follow the stand-in's progress as he went down through the battles and say, what did he do at Gettysburg yesterday? Is he still alive? Presumably, if you lost a stand-in, you could get another one. So you have that situation.

On the other hand, if you watched that movie *Gods and Generals*, you saw the magnificent performance of lots of people, and you had a guy named Chamberlain who was a professor, I think, in Maine, who joined because he thought it was right. And so we go back to the deck of that carrier that James Michener—that scene he described at the end of the book *The Bridges of Toko Ri*, where the commanding officer, while that was a Navy situation, reflected on where America gets these people.

And it is amazing, because we all travel to the troops and we see these people putting themselves in extraordinary, difficult circumstances, highly inconvenient, for something that at that time that does not seem to be logical or tangible. And that is the compulsion, this patriotic feeling that Americans have to serve their country, and it appears, gentlemen, that while we started this experiment called the volunteer military, that it has worked and that the records of these people in all of the services have been extraordinary records, their unit records, their individual records, and we have right now a very high-quality military.

So maybe it is incumbent upon some of these institutions that don't contribute greatly to the enlistments in our armed services to ask themselves, what is wrong with us?

So thanks a lot for being here and putting up with us.

And, Mr. Skelton, any final remarks here?

MR. SKELTON. Just a million thanks, General Shinseki, for the wonderful work that you have done.

GENERAL SHINSEKI. May I, Mr. Chairman, just close, since this appears, other than the hearings you may have just announced, my last opportunity to appear with Secretary White before this committee. And he had the regiment to the north. He has never let me forget that.

Thanks for the great leadership from both sides of the aisle on this committee. You have made—it is a special privilege to be asked to serve as chief of a service in this great country of ours. You have made it an especially rewarding experience, those of you who sit on this committee, and you have been very generous in your compliments this morning. And I just like to return the compliment to all of you. This has been fulfilling for this soldier, and I think we together have done tremendously great things for the Army and for the Nation, and, most importantly, for the soldiers who, as we have all said, choose to wear this uniform.

So thank you, Mr. Chairman.

THE CHAIRMAN. Thank you very much, General. Thanks for your great service to our country. We appreciate it.

[Whereupon, at 1 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 12, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 12, 2003

**OPENING STATEMENT OF CHAIRMAN DUNCAN HUNTER
HOUSE ARMED SERVICES COMMITTEE
POSTURE HEARING ON FY 2004 ARMY BUDGET**

February 12, 2003

Today, the committee will consider the fiscal year 2004 budget request of the Department of the Army.

I am pleased to welcome back Secretary Tom White and General Eric Shinseki, Army Chief of Staff, to discuss the various elements of the proposed program for the Army.

Before proceeding further, I want to take a moment to recognize General Shinseki's long and distinguished service to his nation and to the men and women of the United States Army. I know that we will continue to work closely with you over the coming months, but since this will mark your last budget posture presentation before this committee, it is only appropriate that we

recognize your service and thank you for all that you have done to further the goals and future of the Army.

I find it somewhat ironic to read the daily stream of press reports that characterize the President's defense budget request as a huge and historic increase in spending. I raise this because perhaps no other element of the overall defense budget better characterizes the dilemma facing the military services than the Army budget.

This budget request does continue to make careful investments in key areas to enhance pay and benefits, quality of life for our troops and training and sustainability of our forces. It also makes significant enhancement in important research and development programs. But as in years past, these enhancements come at a steep price in terms of the trade offs.

The overall Army request for Fiscal Year 2004 is \$93.9 billion, an increase of \$3 billion above the current year. However, these numbers reflect a cut of \$2.3 billion in the Army's procurement program which was already on life supports from a decade of neglect. Part of this cut results in the cancellation of 24 Army programs in order to harvest \$1.6 billion in FY04 and around \$14 billion over the FYDP for other priorities.

I am eager to hear your case as to why we can afford to abruptly shelve these programs which form the backbone of our current heavy ground combat capability. I understand the budgetary argument, what I need to hear is the military argument that supports the notion that we can afford to walk away from modernizing our heavy forces at this juncture without accepting significant risk in terms of loss of combat power.

There are numerous other aspects of the proposed Army program that deserve mention, but I think it best to allow them to be explored more fully during today's hearing and the dozens of subcommittee hearings that will follow examining this budget request in greater detail.

I now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

Mr. Secretary, General Shinseki, the entirety of your prepared statements will be entered into the record.

Secretary White, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, Committee on Armed Services, U.S. House of
Representatives**

Posture Hearing on FY 2004 Army Budget Request

February 12, 2003

Thank you, Mr. Chairman. Secretary White, General Shinseki: thank you for being here. At the outset let me say how proud we, and all Americans are, of the valiant service our soldiers provide everyday. We know too well that they continue to fight terrorism in Afghanistan, that they are training others to battle terrorism in such places as the Philippines and Georgia, and that they are poised to disarm Iraq if the President gives that order. The strains are enormous—for our soldiers and their families—and I hope you will tell them how grateful we are for their service.

Given these sacrifices, I worry that we are asking our soldiers to do too much with too little. As you know, I have been concerned for years about the adequacy of Army end-strength. Yet, the strains have never been greater than they are today. Soldiers are deployed

globally in the war against terrorism. There is the real potential for war in Iraq that will require large ground forces. So, too, will the aftermath of any war, as Iraq transitions to a new civilian government. Some of these demands will continue for a long time, perhaps for a decade. I don't see how we can continue to meet these requirements responsibly without an end-strength increase.

Yet the current budget does not include such an increase. To the contrary, it pays for the addition of nearly 1,900 new Special Operations troops with Army billets. There is no doubt that we need more special operations forces, but this should not come out of the hide of an already-overburdened Army. I hope you both will address this issue and suggest how we on this committee may help ensure that the Army has all the forces it needs to fully respond to the demands the country places on it.

Beyond our active-duty forces, our reservists are also carrying an enormous burden. I recently returned from Europe where I saw

first hand the strain of frequent activations on these volunteers. I fear that in the coming years recruitment and retention in the reserve components will suffer from these pressures. I would like to hear both your views on how to reduce the strain on our reservists and whether we need to rethink the mix and structure between the Army's active and reserve forces.

If we get the personnel situation right, I still remain concerned about the dip in Army procurement spending. Certainly, cutting and restructuring programs makes sense; we all want to make the best use of taxpayers' money. And I know the great plans you have for programs like Stryker (with a Y) that are integral to the Army's Objective Force. But I am concerned that we may be mortgaging our present too greatly to pay for the great systems of the future. I hope you will tell us of any budgetary or other pressures that may be impeding the Army's ability to modernize or to field its objective force.

Secretary White, General Shinseki: I commend both of you and all who work for you for the outstanding service you provide this nation. You do it despite the difficult trade-offs and despite the increasing missions. Thank you for all that you do. Thank you, Mr. Chairman.

STATEMENT BY

**THE HONORABLE THOMAS E. WHITE
SECRETARY OF THE ARMY**

AND

**GENERAL ERIC K. SHINSEKI
CHIEF OF STAFF
UNITED STATES ARMY**

BEFORE THE

**COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES**

ON THE POSTURE OF THE UNITED STATES ARMY 2003

FIRST SESSION, 108TH CONGRESS

FEBRUARY 12, 2003

STATEMENT BY
The HONORABLE THOMAS E. WHITE
SECRETARY OF THE ARMY

AND
GENERAL ERIC K. SHINSEKI
CHIEF OF STAFF
UNITED STATES ARMY

Mr. Chairman and distinguished members of the Committee, thank you for this opportunity to report to you today on the Posture of the United States Army.

America's armed forces are the most powerful in the world. And America's Army remains the most respected landpower to our friends and allies and the most feared ground force to those who would threaten the interests of the United States.

Since before the birth of the Nation, American Soldiers have instilled hope in a noble dream of liberty. They have remained on point for the Nation through nine wars, and the intervals of peace in the years between – defending the Constitution and preserving freedom. Magnificent in their selfless service, long in their sense of duty, and deep in their commitment to honor, Soldiers have kept the United States the land of the free and the home of the brave. This is our legacy. Our Soldiers who serve today preserve it.

In October 1999, we unveiled our vision for the future – “Soldiers, on point for the Nation, transforming this, the most respected army in the world, into a strategically responsive force that is dominant across the full spectrum of operations.” The attacks against our Nation on 11 September 2001 and the ensuing war on terrorism validate The Army's Vision – *People, Readiness, Transformation* – and our efforts to change quickly into a more responsive, deployable, agile, versatile, lethal, survivable, and sustainable force.

While helping to fight the Global War on Terrorism, The Army is in the midst of a profound transformation. Readiness remains our constant imperative – today, tomorrow, and the day after. Transformation, therefore, advances on three broad axes: perpetuating The Army's legacy by maintaining today's readiness and dominance; bridging the operational gap with an Interim Force of Stryker Brigade Combat Teams; and fielding the Objective Force to fight and win conflicts in the years beyond this decade.

As they have throughout The Army's 227-year history, Soldiers remain the centerpiece of our formations. Versatile and decisive across the full spectrum of joint missions, land forces have demonstrated time and again the quality of their precision in joint operations. Our responsibility is to provide Soldiers with the critical capabilities needed for the tough missions we send them on.

After three and a half years of undiminished support from the Administration and the Congress, and the incredible dedication of Soldiers and Department of the Army civilians, we have begun to deliver The Army Vision. With continued strong support, we will win the war against global terrorism, meet our obligations to our friends and allies, remain ready to prevail over the unpredictable, and transform ourselves for decisive victories on future battlefields.

We have achieved sustainable momentum in Army Transformation; the framework is in place to see the Objective Force fielded, this decade.

THE ARMY – AT WAR AND TRANSFORMING

The United States is at war, and The Army serves the Nation by defending the Constitution and our way of life. It is our nonnegotiable contract with the American people – to fight and win our Nation's wars, decisively.

In the weeks immediately following the attacks of 11 September 2001, Special Operations Forces (SOF) infiltrated Afghanistan, penetrated Al Qaida and Taliban strongholds, and leveraged all available long-range, joint fires, enabling the Northern Alliance to begin dismantling the Taliban. By January 2002, U.S. and Allied conventional force reinforcements began to set the stage for Operation ANACONDA, where Soldiers, demonstrating courage and determination under the most challenging conditions, defeated Al Qaida at altitude on the escarpments overlooking the Shah-e-kot Valley.

Today, more than 198,000 Soldiers remain deployed and forward stationed in 120 countries around the globe, conducting operations and training with our friends and allies. Decisively engaged in the joint and combined fight against global terrorism, Soldiers are serving with distinction – at home and abroad. Soldiers from both the Active and the Reserve Component have remained "on point" for the Nation in the Balkans for seven years, in Saudi Arabia and Kuwait for 12 years, in the Sinai for 21 years, and in Korea and Europe for over 50 years. At the publication of this Army Posture Statement, there were more than 110,000 Reserve Component Soldiers mobilized for active federal service in support of Operation Noble Eagle and Operation Enduring Freedom. Even as we transform, Soldiers will remain ready to answer the calls of the Nation to defeat well-trained, determined, and dangerous adversaries who miscalculate in taking on the best led, the best-equipped, and the best-trained army in the world.

At war and transforming, The Army is accelerating change to harness the power of new technologies, different organizations, and revitalized leader development initiatives to remain at the head of the line. To accomplish this, Army Transformation advances along three major axes towards attainment of the Objective Force. We selectively recapitalize and modernize today's capabilities to extend our overmatch in staying ready to defend our homeland, keep the peace in areas important to the Nation, and win the war against global terrorism. Stryker Brigade Combat Teams – our Interim Force – will bridge the current operational gap between our rapidly-deployable light forces and our later-arriving heavy forces, paving the way for the arrival of the Objective Force. By 2010, The Army's Objective Force – organized, equipped, and trained for ground dominance, cyber-warfare, and space exploitation – will provide the Nation the capabilities it must have to remain the global leader, the strongest economy in the world, and the most respected and feared military force, by our friends and allies and our enemies, respectively.

The surprise attacks against our Nation and Operation Enduring Freedom, in response to those attacks, validated The Army Vision and provided momentum to our efforts to transform ourselves into an instrument of national power that provides full spectrum operational capabilities that are strategically responsive and capable of decisive victory. In a little over three years, we have begun to realize The Army Vision – *People, Readiness, and Transformation*.

The transforming Army is enriching as a profession and nurturing to families whose sacrifice has borne the readiness of the force for the past 10 years. Our Well-Being initiatives are our commitment to reverse this trend by giving our people the opportunity to become self-reliant; setting them up for personal growth and success; aggressively investing in family housing; and revitalizing Single-Soldier living space in our barracks. Our manning initiatives have filled our line divisions and other early deploying units to dampen the internal turbulence of partially filled formations and help put a measure of predictability back into the lives of our families.

The Army has carefully balanced the risk between remaining ready for today's challenges and preparing for future crises. With unwavering support from the Administration, the Congress, our Soldiers, and Department of the Army Civilians, The Army has made unprecedented progress in its efforts to transform.

We will achieve Initial Operating Capability (IOC) for the first Stryker Brigade Combat Team (SBCT) this summer and demonstrate the increased responsiveness, deployability, agility, verastility, lethality, survivability, and sustainability that SBCTs provide to Combatant Commanders. In a little over three years from initial concept to fielded capability, the SBCTs will allow us to glimpse the potential for acquisition reform in paving the way for delivery of the Objective Force.

We have constructed the framework for achieving the Objective Force this decade: a Transformation Campaign Plan with Roadmap; the Objective Force White Paper; the Operational and Organizational plans for the Objective Force Unit of Action; and the Operational Requirements Document for the Future Combat System of Systems.

Additionally, The Army is poised to fill ground maneuver's most critical battlefield deficiency – armed aerial reconnaissance – with Comanche, a capable, survivable, and sustainable aircraft that is a cornerstone of the Objective Force.

All along the way, we have tested our concepts in wargames and experiments, checked and rechecked our azimuth to the Objective Force weekly and monthly, and look forward to a successful Future Combat System Milestone B Defense Acquisition Board decision in May of this year.

However, we cannot accelerate Army Transformation without transforming the way The Army does business – from transformation of logistics and acquisition to personnel and installation transformation. Revolutionizing Army business management practices achieves the best value for taxpayers' dollars; conserves limited resources for investment in People, Readiness, and Transformation; enhances management of personnel systems, installations and contracting; and augments our potential to accelerate arrival of the Objective Force. Changing The Army is first about changing the way we think, and better business practices represent practical application of common sense initiatives that best serve The Army and our Nation.

We are proud of our progress. We are grateful for the strong Congressional support that has helped put The Army on its approach march to the Objective Force. The Army 2003 Posture Statement describes our tremendous progress in Transformation – an orchestrated campaign, synchronized with OSD and Joint Transformation, to achieve the Objective Force and keep America's Army the dominant landpower in the world.

THE STRATEGIC ENVIRONMENT – THE REQUIREMENT TO TRANSFORM

During the last two decades of the 20th Century, information-age technologies dramatically changed the political, economic, and military landscapes. Desert Shield, Desert Storm, and operations in Kuwait, Bosnia, and Kosovo illustrated the requirement for transforming our forces to meet the evolving, strategic requirements of our Nation. Survivable and extremely lethal, our heavy forces effectively met the requirements for which they were designed; yet, they were slow to deploy and difficult to sustain. Conversely, our light forces were rapidly deployable, but they lacked the protection, lethality, and tactical mobility that we seek across the spectrum of military operations. We were successful in winning the Cold War and, as a result, smaller than we had been in 40 years. The Army

no longer had the luxury of specialized forces built to confront a single and narrowly defined threat like the Warsaw Pact countries.

Today's challenges are more complex; threats are elusive and unpredictable. The fight against international terrorism has overshadowed, but not eliminated, other potential crises. Tension between India and Pakistan persists; stability between China and Taiwan is tenuous; and concern over North Korea escalates. Threats of transnational terrorism and the proliferation of weapons of mass destruction (WMD) – often financed by organized crime, illicit drug transactions, trafficking in women and children, and the sale of arms – further complicate the security environment. Geopolitical trends such as scarce resources, youth population-spike in underdeveloped countries, aging populations in developed countries, and the growth of mega-cities, among others, presage a future strategic environment of diverse and widely distributed threats.

Fully appreciating the internal and external difficulties that profound change engenders, we assessed the operational challenges of the new century against the capabilities of our Cold War Army, recognized the opportunity to leverage the inherent combat power of the technological revolution, and set a clear path ahead – The Army Vision.

The 2002 National Security Strategy (NSS) reaffirms our military's highest priority – defending the United States. To do this effectively, we assure our allies and friends; dissuade future military competition; deter threats against U.S. interests, allies, and friends; and decisively defeat any adversary, if deterrence fails. The NSS directs the military to transform to a capabilities-based force ready to respond to unpredictable adversaries and security crises. The Objective Force meets these NSS requirements, and Army Transformation will enhance our ability to conduct rapid and precise operations, achieve decisive results at the time and place of our choosing, and safeguard the Nation's ability to exercise our right of self-defense through preemption, when required.

The 2001 Quadrennial Defense Review describes a capabilities-based approach to defense planning that provides broader military options across the operational spectrum, from pre- to post-conflict operations. The force-sizing construct – 1-4-2-1 – takes into account the number, scope and simultaneity of tasks assigned the military: it sizes the force for defense of the U.S. homeland (1), forward deterrence in four critical regions (4), the conduct of simultaneous warfighting missions in two regions (2) – while preserving the President's option to call for decisive victory in one of those conflicts (1) – and participation in multiple, smaller contingency operations.

THE ARMY – SERVING TODAY, BALANCING RISK, MANAGING TRANSFORMATION

Soldiers are the most precise and responsive means to strike and then control enemy centers of gravity on the ground – where people live, work, and govern. American Soldiers are disciplined, professional, and trained for success in diverse missions; they are the foundation of a flexible force that accomplishes its missions in the non-linear battlespace by integrating new, innovative technologies and techniques with current systems and doctrine. Our people adapt under the harshest conditions, whether in the deserts of Kuwait and the Sinai, the mountains and rice paddies of Korea, or the tropics of the Democratic Republic of Timor-Leste.

These demanding commitments mean we must nurture a balance between current and near-term readiness and our Transformation to meet future challenges. The Army has accepted reasonable operational risk in the mid-term in order to fund our Transformation to the Objective Force. To avoid unacceptable risk, we are monitoring closely the current operational situation as we support the Combatant Commanders in the war against terror, conduct homeland defense, and prosecute the long-term effort to defeat transnational threats. We have designed and implemented the Strategic Readiness System (SRS) to provide a precision, predictive tool with which to monitor The Army and make appropriate adjustments to preserve current readiness. Our surge capacity in the industrial base further reduces current risk by keeping production lines warm and responsive. And our first Stryker Brigade Combat Team will provide the Combatant Commanders with a new capability to further mitigate operational risk – even as we transform to the Objective Force.

REALIZING THE ARMY VISION – PEOPLE, READINESS, AND TRANSFORMATION

In 1999, The Army announced its vision to transform into a more strategically responsive force, dominant across the full spectrum of military operations. The Army Vision addresses three essential components: *People*, *Readiness*, and *Transformation*. Soldiers are the heart of The Army, the centerpiece of our formations, and the foundation of our combat power. Readiness remains our overarching imperative; it is the means by which we execute our nonnegotiable contract with the American people – to fight and win our Nation's wars, decisively. To preserve readiness while rapidly changing, Transformation advances on three major axes: preserving our Army legacy by maintaining readiness and dominance today; bridging the operational gap with Stryker Brigades – the Interim Force; and fielding the Objective Force this decade to keep The Army dominant in the years beyond this decade.

Realizing The Army Vision requires the concerted effort of the entire Army, across all components – from warfighting to institutional support organizations. The Army published its Transformation Campaign Plan in April 2001 to synchronize and guide this complex undertaking. The November 2001 Objective Force White Paper describes the advanced capabilities and core technologies

needed to build the Objective Force. The Army's June 2002 Army Transformation Roadmap defines Transformation as a continuous process – with specific waypoints – that increases our contributions to the Joint Force while achieving the six Department of Defense (DoD) critical operational goals. The result will be a more strategically responsive and full spectrum dominant force capable of prompt and sustained land combat operations as a member of the joint force.

In support of the emerging joint operational concepts and architectures, The Army – as the major landpower component – continues to develop ground concepts for a full spectrum, and multidimensional force. These concepts are producing a Joint Force that presents potential enemies with multiple dilemmas across the operational dimensions – complicating their plans, dividing their focus, and increasing their chances of miscalculation.

In future joint operations, Objective Force units will be capable of directing major operations and decisive land campaigns with Army headquarters. Objective Force headquarters at all levels will provide the Joint Force Commander (JFC) with seamless, joint battle command and decision superiority. The modularity and scalability of our Objective Force formations will provide an unprecedented degree of flexibility and adaptability to the Combatant Commander – providing the right force at the right time for decisive outcomes.

PEOPLE – OUR MOST VALUABLE RESOURCE

The Army Vision begins and ends talking about people. People are central to everything else we do in The Army. Platforms and organizations do not defend this Nation; people do. Units do not train, stay ready, grow and develop leadership – they do not sacrifice and take risks on behalf of the Nation. People do. Institutions do not transform; people do. People remain the engine behind all of our magnificent moments as an Army, and the well-being of our people – the human dimension of our Transformation – is inextricably linked to Army readiness.

In our Vision, we recommitted ourselves to doing two things well each and every day – training Soldiers and civilians and growing them into competent, confident, disciplined, and adaptive leaders who succeed in situations of great uncertainty. We are dedicated to preparing our Soldiers to lead joint formations, to enabling our headquarters to command and control joint forces, and to providing to those joint formations the capabilities only The Army can bring to the fight: the ability to control terrain and populations.

MANNING THE FORCE

The objective of our manning strategy is to ensure we have the right people in the right places to fully capitalize on their warfighting expertise – this is The

Army's commitment to the Nation, Army leaders, Soldiers, and our families. Correctly manning our units is vital to assuring that we fulfill our missions as a strategic element of national policy; it enhances predictability for our people; and it ensures that leaders have the people necessary to perform their assigned tasks. In FY00, we implemented a strategy to man our forces to 100 percent of authorized strength, starting with divisional combat units. The program expanded in FY01 and FY02 to include early deploying units. In FY02, we maintained our manning goals and continued to fill our Divisions, Armored Cavalry Regiments, and selected Early Deploying Units to 100 percent in the aggregate, with a 93 to 95 percent skill and grade-band match. We remain on target to accomplish our long-term goal of filling all Army units to 100 percent of authorized strength.

RECRUITING AND RETAINING THE FORCE

In 1999, The Army missed its recruiting goals for the Active Component (AC) by about 6,300 inductees, and for the Reserve Component by some 10,000. Our recruiting situation was simply unacceptable, and we committed ourselves to decisive steps and reversed that trend.

In FY02, The Active Component achieved 100 percent of its goal in recruiting and retention – for the third consecutive year. The Army exceeded its AC 79,500 enlisted accession target in FY02 and exceeded our aggregate FY02 retention objective of 56,800 Soldiers in all three categories by 1,437. We are poised to make the FY03 accession target of 73,800, and we expect to meet our Active Component FY03 retention target of 57,000. The FY04 accession target is set at 71,500.

The Army Reserve has met mission for the last two years, and its recruiting force is well structured to meet FY04 challenges. The Army Reserve continues to maintain a strong Selected Reserve strength posture at 205,484 as of 17 January 2003 – over 100.2 percent of the FY03 End Strength Objective. Overcoming many recruiting and retention challenges in FY02, the Army National Guard (ARNG) exceeded endstrength mission, accessions were 104.5 percent of goal, and we exceeded reenlistment objectives.

To ensure that we continue to recruit and retain sufficient numbers, we are monitoring the current environment – GWOT and frequent deployments – to determine impact on morale, unit cohesiveness, combat effectiveness, and support of Well-Being programs that draw quality people to The Army. We continue to examine innovative recruiting and retention initiatives. The challenges we face in FY03 and 04 are two-fold: increase recruiter productivity and recruiting resources necessary to maintain recruiting momentum when the economy becomes more robust. Resourcing recruiting pays dividends well beyond accessions in the year of execution. For example, Army advertising in

FY02 influenced not only FY02 accessions, but also potential recruits who will be faced with enlistment decisions in FY03 and beyond.

RESERVE COMPONENT FULL-TIME SUPPORT (FTS)

Today, more than 50 percent of our Soldiers are in the Reserve Component (RC). The GWOT and Homeland Defense are significant undertakings that demand a high level of resourcing. The RC has been key to our success in these operations. To ensure The Army's RC continues to meet ever-increasing demands with trained and ready units, The Army plans to increase Full-Time Support authorizations 2 percent each year through FY12, increasing the FTS from the current level of 69,915 to a level of 83,046. The Army recognizes additional Full-Time Support authorizations as the number one priority of the Army National Guard and Army Reserve leadership.

CIVILIAN COMPONENT

As a comprehensive effort to consolidate, streamline, and more effectively manage the force, The Army has begun an initiative to transform our civilian personnel system. High quality, well-trained civilians are absolutely essential to the readiness of our force and our ability to sustain operations today and in the future. Recruiting, training, and retaining a highly skilled, dedicated civilian workforce is critical in meeting our obligations to the Combatant Commanders and the Nation. Aggressive transformation of our civilian force – in which projections through FY05 indicate a 16 percent annual turnover due to retirements and other losses – will ensure we continue to meet those obligations.

As of FY02, The Army employed 277,786 civilian personnel. To forecast future civilian workforce needs with precision, we developed the Civilian Forecasting System (CIVFORS), a sophisticated projection model that predicts future civilian personnel requirements under various scenarios. The Army is working closely with the Office of the Secretary of Defense (OSD) and other federal agencies to demonstrate the power of this system so they can fully leverage its capabilities, as well.

The Civilian Personnel Management System XXI (CPMS XXI) has identified the reforms necessary to hire, train, and grow a civilian component that supports the transforming Army. To achieve this, we have redefined the way civilians are hired, retained, and managed. Mandatory experiential assignments will become the vehicle by which we develop future leaders. CPMS XXI fully responds to current mandates in the President's Management Agenda and incorporates the results of the Army Training and Leader Development Panels. For example, two initiatives for recruiting well-trained civilians are:

- The Army Civilian Training, Education, and Development System (ACTEDS) – a centrally managed program that accesses and trains

civilian interns and grows a resource pool of personnel who can accede to senior professional positions.

- The DoD Appropriations Act for FY02 and FY03 provided Direct Hire Authority (DHA) for critical, hard-to-fill medical health care occupations and enabled the reduction in average fill-time for these positions to 29 days.

ARMY WELL-BEING

The readiness of The Army is inextricably linked to the well-being of our people, and Army Well-Being is the human dimension of our Transformation. Well-Being responds to the physical, material, mental, and spiritual needs of all Army people – Soldiers, civilians, retirees, veterans, and their families. We recognize the fundamental relationship between Well-Being programs and institutional outcomes such as readiness, retention, and recruiting. To support mission preparedness as well as individual aspirations, Well-Being integrates policies, programs, and human resource issues into a holistic, systematic framework that provides a path to personal growth and success and gives our people the opportunity to become self-reliant. We recruit Soldiers, but we retain families – Well-Being programs help make The Army the right place to raise a family. And when our families are cared for, Soldiers can better focus on their mission – training, fighting, and winning our Nation's wars, decisively.

Soldiers appreciate the Nation's devotion to them, and they are grateful for the country's recognition of their service and sacrifices. Recent improvements to the Montgomery GI Bill, Tricare for Life, Tricare Reform, Retired Pay Reform, the 4.1 percent general pay increase, and additional pay increases in 2003, are all important to Soldiers and their families. These initiatives have helped The Army respond to the well-being needs of our people. Army voluntary education programs improve our combat readiness by expanding Soldier skills, knowledge, and aptitudes to produce confident, competent leaders. Other Well-Being initiatives include:

- Spouse Employment Summit. The Army is developing partnerships with the private sector to enhance employment opportunities for Army spouses and provide improved job portability for them.
- Spouse Orientation and Leader Development (SOLD). SOLD connects Army spouses and enhances their opportunity to serve as valued leaders who contribute to the readiness and future of The Army and our Nation.
- Army University Access Online. eArmyU offers Soldiers access to a variety of on-line, post-secondary programs and related educational services. www.eArmyU.com is a comprehensive web-portal widely accessible to Soldiers, including those in Afghanistan, Bosnia, and Kuwait.
- In-State Tuition. To level the playing field for access to education opportunities, The Army is working to encourage states to grant in-

state status for military personnel and families at public colleges and universities in their Soldier's state of legal residence and state of assignment.

- High School Senior Stabilization. This policy enhances predictability by allowing families to request stabilization at their sponsor's current duty location if they have a child who will graduate from high school during that year.
- Secondary Education Transition Study (SETS) Memorandum of Agreement (MOA). Facilitated by The Army, this agreement among participating school superintendents is their commitment to partner and improve high school transitions for DoD children. Currently, over 110 school superintendents have signed the SETS MOA.

LEADER DEVELOPMENT – TRAINING SOLDIERS AND CIVILIANS, AND GROWING LEADERS

The Army is a profession – the Profession of Arms. Conducting decisive ground combat operations in defense of the United States and its interests is a core competency of this profession. The development of each member of The Army is the foundation of lifelong devotion to duty – while in uniform and upon returning to the civilian sector.

By its nature, our profession is extraordinarily complex and dangerous. The American people entrust The Army with the sacred responsibility to apply lethal force in defense of U.S. interests. As such, the Profession of Arms must remain firmly grounded in constitutional values and must constantly change and grow to preserve its competitive advantage in an evolving strategic environment. At all levels, our leaders – military and civilian – must apply their professional knowledge in increasingly varied and unique situations that are characteristic of today's strategic environment. Ultimately, we must grow professional Army leaders who provide wise and discerning military judgments founded on long experience and proven professional expertise. This capacity is developed only through a lifetime of education and dedicated service – in peace and in war.

Soldiers serve the Nation with the full realization that their duty may require them to make the supreme sacrifice for others among their ranks. Soldiers fighting the war on terrorism today, those who will fight our future wars, and those who have fought in our past wars are professional warfighters and a precious national asset. To ensure we remain the greatest landpower in the world defending the greatest country in the world, The Army and the Nation rely upon their unique and hard-earned experiences and skills. To develop the operational skills required to defend the Nation, training must remain our number one priority.

The evolving strategic environment, the gravity of our responsibilities, and the broad range of tasks The Army performs require us to review and periodically update the way we educate, train, and grow professional warfighters. The

Army's strategic responsibilities to the Nation and Combatant Commanders now embrace a wider range of missions. Those missions present our leaders with even greater challenges than previously experienced. Therefore, leader development is the lifeblood of the profession. It is the deliberate, progressive, and continuous process that trains and grows Soldiers and civilians into competent, confident, self-aware, and decisive leaders prepared for the challenges of the 21st Century in combined arms, joint, multinational, and interagency operations.

In June 2000, we convened the Army Training and Leader Development Panel (ATLDP). The ATLDP's purpose is to identify skill sets required of Objective Force Soldier and civilian leaders. Further, ATLDP assesses the ability of current training and leader development systems and policies to enhance these required skills. In May 2001, The Army Training and Leader Development Panel Phase I (Officer Study) identified seven strategic imperatives and generated 89 recommendations. With those, we validated the requirement to transform our Officer Education System (OES) – from the Officer Basic Course through the Command and General Staff Officer Course. Additionally, the panel reconfirmed the value of Joint Professional Military Education II (JPME II) in preparing our leaders for joint assignments. The most significant product of the officer ATLDP is our OES Transformation.

ATLDP Phase I (Officer Study) identified three high-payoff institutional training and education initiatives for lieutenants, captains, and majors. The first of these is the Basic Officer Leader Course (BOLC). BOLC will provide a tough, standardized, graduate-level, small-unit leadership experience for newly commissioned officers. The second of these initiatives is the Combined Arms Staff Course (CASC) for staff officers, and the Combined Arms Battle Command Course (CABCC) for company commanders. Both courses will capitalize on advanced distributed learning and intensive resident training methods. The third initiative, Intermediate Level Education (ILE), will provide all majors with the same common core of operational instruction, and it will provide additional educational opportunities that are tailored to the officer's specific career field, branch, or functional area. Beyond ILE, Army officers continue to attend Joint or Senior Service Colleges to develop leader skills and knowledge appropriate to the operational and strategic levels of the profession.

Completed in May 2002, the ATLDP Phase II (NCO Study) resulted in 78 findings and recommendations extending across six imperatives – Army culture, NCO Education Systems (NCOES), training, systems approach to training, training and leader development model, and lifelong learning. Among others, the ATLDP Phase II recommended building new training and leader development tools for NCOs to replace current methods, as required. The ATLDP Phase III (Warrant Officer Study) culminated with 63 recommendations extending across four crucial imperatives. Recommendations included clarifying the warrant officer's unique role in The Army and improving the Warrant Officer Education System (WOES)

to ensure timely training and promotion. The Civilian Training and Leader Development Panel (Phase IV) study results are complete, and we are forming the Implementation Process Action Team (I-PAT). I-PAT will identify actions The Army must take to increase the professional development of our civilian workforce. At the senior leader level, The Army initiated the Army Strategic Leadership Course (ASLC). The program is aimed at teaching principles of strategic leadership, with emphasis on visioning, campaign planning, leading change, and Transformation. To date, we have completed twelve of the foundation courses and three alumni courses, training the majority of The Army's general officers.

READINESS – WINNING OUR NATION'S WARS

HOMELAND SECURITY (HLS)

Defending our Nation – abroad and at home – against foreign and domestic threats is fundamental to The Army's legacy, and our warfighting focus provides capabilities relevant to HLS requirements. HLS missions range from traditional warfighting competencies that defeat external threats to the non-combat tasks associated with supporting civil authorities in domestic contingencies. Operation NOBLE EAGLE mobilized over 16,000 Army National Guard Soldiers to protect critical infrastructure. These Soldiers assisted the Department of Transportation in securing our Nation's airports while also playing a vital role in securing our Nation's borders. The Army is moving forward to provide one Civil Support Team (CST) to each state, as required by the National Defense Authorization Act for FY03. The CSTs support Incident Commanders and identify Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) agents and substances, assess current and projected consequences, advise on response measures, and assist with appropriate requests for additional support. To date, OSD has certified 30 of 32 teams, and The Army is working to establish additional teams. Collectively, the certified teams have performed 890 operational missions since 11 September 2001. The Army remains committed to HLS, dedicating Active Component (AC) and Reserve Component (RC) staffs to focus on training, doctrine, planning, and execution of DoD missions in support of civil authorities.

MISSILE DEFENSE

Robust Missile Defense is a vital warfighting requirement that protects both our homeland and our deployed forces. Missile Defense includes far more than a reactive capability to shoot down missiles in their reentry phase. Missile Defense requires a coherent system of sensors; battle command; weapons systems; and active, passive, proactive, and reactive operational concepts, all aimed at destroying enemy missiles – not only during their reentry phases. Missile Defense must also be able to destroy enemy missiles on the ground, before they

launch or during their boost phase once launched. Missile Defense is inherently a joint capability to which The Army is a major contributor.

The Army is deploying and employing Ground Mobile Defense (GMD) assets to contribute to this warfighting capability, accelerating the fielding of the Patriot Advanced Capability 3 (PAC3) system, and developing directed energy weapons that will bring new defense measures to The Army and the Nation. We are postured to assume control of the Medium Extended Air Defense System (MEADS) program in FY03 and intend to begin fielding by FY12.

MEADS is a transformational program of Objective Force quality and a significant improvement on Patriot's capabilities. It will be more mobile and more deployable (C130 capable) than Patriot and cover a 360-degree radius to Patriot's 120 degrees. It will be effective against low radar, cross section cruise missile targets; and require only 30 percent of Patriot's manpower. And MEADS will be more accurate and more sustainable than Patriot.

CHEMICAL DEMILITARIZATION

In Section 1412 of Public Law 99-145, Congress directed the DoD to destroy the United States' chemical weapons stockpile. In turn, the Secretary of Defense delegated management of all chemical munitions disposal to the Department of the Army. On November 29, 2000, the Johnston Atoll Chemical Agent Disposal System, using incineration-based technology, completely destroyed the last stockpiles stored at the Atoll, and closure operations began in January 2001. The Tooele Chemical Agent Disposal Facility has incinerated 44 percent of the chemical agents and 81 percent of the munitions stored there. Disposal operations at these two sites destroyed 30 percent of the total U.S. chemical weapons stockpiles. Construction of incineration facilities at Anniston, Alabama; Umatilla, Oregon; and Pine Bluff, Arkansas, is complete. Systemization activities are on-going at Aberdeen, Anniston, Umatilla, and Pine Bluff. The plan to accelerate the disposal of bulk agents using a neutralization process at Aberdeen, Maryland, and Newport, Indiana, has been approved. Anniston and Aberdeen are scheduled to start destruction in second quarter FY03, and Newport is scheduled to begin in first quarter FY04.

To comply with treaty agreements and the Congressional mandate, we must complete the destruction of these weapons by 2007. The treaty allows for a one time, five-year extension to this deadline. With continued funding and minimal schedule changes, we will safely destroy the U.S. stockpile of lethal chemical agents and munitions at eight existing CONUS sites.

TRAINING THE FORCE

In October 2002, The Army released *Field Manual (FM) 7-0, Training the Force*. Synchronized with other field manuals and publications being updated to respond

to changes in Army, joint, multinational, and interagency operations, *FM 7-0* is the capstone doctrinal manual for Army training and leader development. It provides the developmental methodology for training and growing competent, confident Soldiers, and it addresses both current and future Objective Force training requirements.

We are transforming the way we fight future wars, and The Army is participating fully in a DoD-sponsored program to transform how forces train to fight. This effort involves four major initiatives: building upon existing service interoperability training; linking component and joint command staff planning and execution; enhancing existing joint training exercises to address joint interoperability; and studying the requirement for dedicated joint training environments for functional warfighting and complex joint tasks. The Army is scheduled to host the first joint National Training Center (NTC) event at Fort Irwin, California, in May 2003. During June 2003, the U.S. Army Forces Command will execute the 2nd joint NTC event – JCS exercise ROVING SANDS.

During the late 1990s, funding for the recapitalization and modernization of The Army's Combat Training Centers (CTCs) was reduced, eroding their capability to support their critical missions. Additionally, the Multiple Integrated Laser Engagement System (MILES) equipment and current force instrumentation systems have become difficult to maintain. The Army's CTC modernization program will ensure that our premier training areas (NTC at Fort Irwin, Combat Maneuver Training Center (CMT) in Germany, the Joint Readiness Training Center (JRTC) at Fort Polk, and the Deep Attack Center of Excellence near Gila Bend, AZ) are modernized to provide high quality, realistic, full-spectrum joint training. To address these problems, The Army will invest nearly \$700 million over the next six years to modernize these training centers.

OPTEMPO

In accordance with Congressional directives, The Army developed a new methodology to prepare budget requests that accurately reflect Operations and Maintenance requirements. In the report submitted in July 2002, The Army outlined updated processes that ensure consistency in reporting of tank miles and reflect requirements and execution with more precision. Management controls initiated in FY01 to prevent migration of OPTEMPO funds to other areas were highly successful and remain in effect.

The Army's combined arms training strategy determines the resourcing requirements to maintain the combat readiness of our forces. For the Active Component, The Army requires 800 ground OPTEMPO miles per year for the M1 Abrams tank and corresponding training support; the Active Component flying hour program requires an average of 14.5 live flying hours per aircrew each month. Both Army National Guard and the Army Reserve aircrew training strategies require 9.0 hours per crew each month. The ARNG ground

OPTEMPO requirement is a composite average of 174 miles in FY04, and the USAR ground OPTEMPO requirement is 200 tank-equivalent miles in FY04.

While this describes The Army's training strategy, actual execution levels from unit to unit have varied depending upon factors such as on-going operations, safety of flight messages, and adequate manning of combat formations. To this end, The Army has fully funded its AC ground OPTEMPO requirement, while its AC flying program is funded to its historical execution level of 13.1 flying hours. The RC air and ground OPTEMPO are similarly funded to their execution levels, rather than their requirement. Although The Army has not always been able to execute the training strategy, we have taken steps to have all units execute the prescribed training strategy in FY03, FY04, and beyond.

FORCE PROTECTION AND ANTI-TERRORISM

Force protection consists of those actions to prevent or mitigate hostile actions against Department of Defense personnel and includes family members, resources, facilities, and critical information. In the war on terrorism, the area of operations extends from Afghanistan to the East Coast and across the United States. Naturally, Force Protection and Antiterrorism measures have increased across Army installations in the Continental United States (CONUS) and overseas.

Findings from the Cole Commission, the Downing Report on the Khobar Towers bombing, and Army directives to restrict access to installations have all led to thorough assessments by the Department of the Army Inspector General, the Deputy Chief of Staff for Operations, and commanders. Our efforts focus on improved force protection policy and doctrine; more rigorous training and exercises; improved threat reporting and coordination with national intelligence and law enforcement agencies; enhanced detection and deterrence capabilities for Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) threats; increased capabilities and protection for access control; and expanded assessments of Major Commands (MACOM) and installation force protection programs. Both operational and installation environments rely upon secure, networked information infrastructure to execute daily enterprise-wide processes and decision-making, so the parameters of force protection include contemporary and evolving cyber threats, as well.

The Army's Information Systems Security Program (ISSP) secures The Army's portion of the Global Information Grid (GIG), secures the digitized force, and supports information superiority and network security defense-in-depth initiatives. ISSP provides the capability to detect system intrusions and alterations and react to information warfare attacks in a measured and coordinated manner. To the greatest extent possible, it protects warfighters' secure communications – from the sustaining base to the foxhole.

Soldiers, Active and Reserve, are heavily engaged in force protection and anti-terrorism missions. Soldiers guard military installations, nuclear power plants, dams and power generation facilities; tunnels, bridges, and rail stations; and emergency operations centers. During the 2002 Winter Olympics in Salt Lake City, Utah, nearly 1,500 ARNG Soldiers provided security, and Soldiers guarded key infrastructure sites during Super Bowl XXXVII in January 2003. Over 12,500 Reserve Component Soldiers are currently mobilized for Operation NOBLE EAGLE to fulfill Force Protection requirements, and in February 2003, over 8,000 Army National Guard Soldiers will support Air Force security requirements – a requirement that could reach 9,500 Soldiers. Security of detention facilities and detainees at Guantanamo Bay Detention – a long-term detainee mission – requires approximately 1500 Army personnel, 50 percent of whom are Military Police. Army Reserve Internment and Resettlement battalions on 6-month rotations impact military police availability to CONUS Force Protection requirements.

SUSTAINMENT

The Army is revolutionizing its logistics process. One initiative, the Single Stock Fund (SSF), redirected more than \$540 million worth of secondary items from stocks to satisfy customer demands between May 2000 – SSF inception – and November 2002. During that same period, we redistributed more than \$218 million worth of secondary items from the authorized stockage levels to meet higher priority readiness requirements. By extending national visibility of stockage locations and capitalizing inventories into the Army Working Capital Fund, we reduced customer wait time by an average of 18.5 percent. The SSF will continue to reduce inventory requirements and generate even more savings for The Army by creating greater flexibility for the management of inventories.

Another initiative, the National Maintenance Program (NMP), enhances weapon system readiness, reliability, and availability rates by bringing Army Class IX repair parts to a single national standard. Ultimately, increased reliability will reduce overall weapon system Operating and Support cost. Additionally, the NMP centralizes the management and control of Army maintenance activities for components and end items. NMP will produce appropriately sized Army maintenance capacity that still meets total maintenance requirements.

STRATEGIC READINESS REPORTING

The National Defense Authorization Act for FY99 requires the Secretary of Defense to implement a comprehensive readiness reporting system that objectively measures readiness to support the NSS. The Army's Strategic Readiness System (SRS) responds to and provides a baseline in achieving this critical initiative.

SRS is a precision readiness measurement tool that provides Army leadership with accurate, objective, predictive, and actionable readiness information to dramatically enhance resource management toward one end – strategic readiness to defend the United States. The Army Scorecard – a product of SRS – will integrate readiness data from the business arena and the operating, generating, and sustaining forces of both the Active and Reserve Component. Army Scorecard methodology focuses on four critical areas: *People* – investing in Soldiers and their families; *Readiness* – maintaining the support capability to the Combatant Commanders' operational requirements; *Transformation* – transforming The Army into the Objective Force; and application of sound business practices.

SRS markedly improves how we measure readiness. It gathers timely information with precision and expands the scope of the data considered. We are further developing this system to leverage leading indicators and predict trends – solving problems that affect readiness *before* they become problems, from well-being to weapons platforms. SRS will help enable The Army preserve readiness to support Combatant Commanders, invest in Soldiers and their families, identify and adopt sound business practices, and transform The Army to the Objective Force.

INSTALLATIONS

Army installations are our Nation's power projection platforms, and they provide critical training support to The Army and other members of the joint team. Additionally, Soldiers, families, and civilians live and work on Army installations. The quality of our infrastructure directly affects the readiness of The Army and the well-being of our Soldiers, families, and civilians.

The Army has traditionally accepted substantial risk in infrastructure to maintain its current warfighting readiness. However, a decade of chronic under funding has led to a condition in which over 50 percent of our facilities and infrastructure are in such poor condition that commanders rated them as "adversely affecting mission requirements." Our facilities maintenance must improve. Over the past two years, with the help of the Administration and Congress, The Army has begun to rectify this situation with significant increases in funding and innovative business practices. These efforts have been dramatically successful as we continue to correct a problem that was 10 years in the making. Thus, in an effort to prevent future degradation of our facilities, The Army has increased its funding for facilities sustainment to 93 percent of requirement beginning in FY04.

TRANSFORMATION OF INSTALLATION MANAGEMENT (TIM)

Recognizing the requirement to enhance support to commanders, the Secretary of the Army directed the reorganization of The Army's management structure. On October 1, 2002, The Army placed the management of Army installations

under the Installation Management Agency (IMA). IMA is a new field-operating agency of the Assistant Chief of Staff for Installation Management (ACSIM). Its mission is to provide equitable, efficient, and effective management of Army installations worldwide to support readiness; enable the well-being of Soldiers, civilians and family members; improve infrastructure; and preserve the environment. This new management approach eliminates the migration of base operations funds to other operational accounts below the HQDA level. It also enables the development of multi-functional installations to support evolving force structure and Army Transformation needs. The Army is poised to capitalize on opportunities TIM gives us to provide excellence in installations.

Two programs that significantly increase the well-being of our Soldiers and their families are the Barracks and the Family Housing programs. The Army established the Barracks Upgrade Program (BUP) in the late 1990's to improve single Soldiers' housing conditions. Through 2002, we have upgraded or funded-for-upgrade 70 percent of our permanent party barracks to Soldier suites that consist of two single bedrooms with a shared bath and common area. The Army will continue the BUP until all permanent party barracks achieve this standard.

With the strong support of Congress, The Army established the Residential Communities Initiative (RCI) for our families. This program capitalizes on commercial expertise and private capital to perform a non-core function for The Army – family housing management. The program provides greater value to The Army by eliminating the housing deficit at our first eleven sites, while leveraging a \$209 million Army investment into \$4.1 billion of initial private development. The Army's privatization program began with four pilot projects and will expand to 18 active projects by the end of FY03. Pending OSD and Congressional approval, 28 projects are planned through 2006 that will impact over 72,000 housing units or 80 percent of Army Family Housing in the United States. By the end of 2007, we will have the programs and projects in place to meet the OSD goal of eliminating inadequate family housing. We will accomplish this goal through RCI and increased Army investment in family housing Military Construction (MILCON) at non-privatized installations. The Reserve Component (RC) enhances RCI through real property exchange authority that is only available to the RC. This legislative authority allows the exchange of RC owned property with public or private entities and has a tremendous potential to improve future Reserve Component infrastructure at no governmental cost.

The Army has also aggressively reduced its financial burden and physical footprint by disposing of 34 percent of its facilities from a 1990 high of 116 billion square feet. The Army anticipates that the Congressional FY05 Base Realignment and Closure (BRAC) authority will permit additional appropriate reductions. BRAC will enable The Army to dispose of excess infrastructure and realign the remaining facilities with the requirements of the transforming Army and the Objective Force. BRAC will also allow The Army to re-allocate resources from closed or realigned installations to other high priority requirements.

The Army continues to improve its utilities infrastructure by divesting itself of non-core utility systems' operation and maintenance through privatization. As of December 2002, we had privatized 64 of the 351 systems in the program, and we have an additional 104 presently under negotiation.

As part of our Army Knowledge Management (AKM) – described later in more detail – we are modernizing our Installation Information Infrastructure – *infostructure* – to support a network centric, knowledge-based Army. The Installation Information Infrastructure Modernization Program (I3MP) executes a multi-year, \$3.2 billion program for upgrades to optical fiber and copper cable, installation of advanced digital equipment, and upgrades to Defense Global Information Grid gateways. This program will ensure worldwide, high-speed data connectivity at Army installations. To date, we have completed 22 of 95 CONUS installations and initiated upgrades at four installations outside of the continental United States (OCONUS). We plan to complete I3MP in 2009.

TRANSFORMATION – CHANGING THE WAY WE FIGHT

The Army is fundamentally changing the way we fight and creating a force more responsive to the strategic requirements of the Nation. We are building a joint precision maneuver capability that can enter a theater at the time and place of our choosing, maneuver at will to gain positional advantage, deliver precise joint fires and, if necessary, close with and destroy the enemy.

The Objective Force is an army designed from the bottom up around a single, networked, integrated C4ISR architecture that will link us to joint, interagency, and multi-national forces. It will be a rapidly deployable, mounted formation, seamlessly integrated into the joint force and capable of delivering decisive victory across the spectrum of military operations. Consolidated, streamlined branches and military operational specialties comprised of professional warfighters will be poised to transition rapidly from disaster relief to high-end warfighting operations.

The Objective Force and its Future Combat System of Systems will leverage and deliver with precision the combat power of joint and strategic assets. It is a capabilities-based force that rapidly responds to the requirements of the strategic environment in which our Soldiers will be the most strategically relevant and decisively capable landpower – no matter the mission, no matter the threats, no matter the risks.

In the final analysis, The Army's combat power does not wear tracks or wheels – it wears boots. No platform or weapon system can match a Soldier's situational curiosity and awareness. It is the Soldiers' ability to discern and to think, their ingenuity and resourcefulness, their endurance and perseverance, and their plain grit that make them the most reliable precision weapon in our inventory. Soldiers remain the centerpiece of our formations.

To help guide our Transformation efforts, The Army leverages lessons-learned from extensive experimentation and wargaming. We are working to harness the power of knowledge, the benefits of science and technology, and innovative business solutions to transform both the Operational and Institutional Army into the Objective Force. The Army's annual Title 10 Wargames provide critical insights for developing the Objective Force. Likewise, results from joint experiments – Millennium Challenge '02 and other service Title 10 Wargames like Global Engagement, Navy Global, and Expeditionary Warrior, to name a few – also inform these efforts.

The Army is fully committed to joint experimentation as a means to examine and assess Objective Force contributions to the strategic, operational, and tactical levels of joint warfare. The Army has established a joint / Army Concept Development and Experimentation (CD&E) Task Force to ensure that Army

CD&E efforts are synchronized with joint CD&E. This task force makes certain that joint experiment lessons-learned inform the design and development of the Objective Force. This year, The Army's Title 10 Wargame – co-hosted by Commander, Joint Forces Command – will focus on the Joint Force that will fight the next battle. Linked to Joint Forces Command's Pinnacle Impact 03 experiment, it will be conducted within the context of a future 1-4-2-1 global scenario and the emerging Joint Operations Concept. The Army is committed to these efforts, and in this budget we have nearly doubled last year's funding of these exercises.

Joint, interagency, multinational, and Army warfighting experiments provide invaluable opportunities for The Army to experiment with innovative approaches to warfighting and to test new tactics, techniques, procedures, organizations, processes, and technology. In Millennium Challenge 2002, the largest joint experiment in U.S. history, The Army demonstrated four vital capabilities it brings to the joint fight:

- the ability to attain and maintain information superiority (knowledge)
- the ability to conduct decisive maneuver to enable dominant joint maneuver
- the ability to defeat the opposition in an anti-access environment through rapid entry and employment capabilities
- the ability to support and sustain rapid combat power efficiently by reducing the operational and tactical logistics footprint

To evaluate the effectiveness of the Stryker Brigade Combat Team (SBCT) concepts for battalion and company operations in a Joint Force, The Army employed a SBCT unit during Millennium Challenge. Less than four weeks after Stryker vehicles were delivered to the first unit at Fort Lewis, the unit demonstrated rapid air and sealift deployability and integrated into the exercise well. Additionally, when given a mission on short notice to support a Marine Corps unit in ground operations, the SBCT unit demonstrated its agility and versatility.

BALANCING RISK AS WE MANAGE CHANGE

Balancing risk is integral to Army Transformation. To maintain current readiness while we transform, we are managing operational risk: risk in current readiness for near-term conflicts with future risk – the ability to develop new capabilities and operational concepts that will dissuade or defeat mid- to long-term military challenges. The Army has accepted risk in selective modernization and recapitalization, and we continue to assess these risks as we balance current readiness, the well-being of our people, Transformation, the war on terrorism, and new operational commitments. Since 1999, The Army has terminated 29 programs and restructured 20 others for a total savings of \$12.8 billion. These funds were reallocated to resource the Stryker Brigades and essential Objective Force research and development.

In Program Budget 2004 and its associated Five-Year Defense Plan (FYDP), The Army has generated an additional \$22 billion of savings by terminating 24 additional systems and reducing or restructuring 24 other systems. To accelerate achieving the Objective Force capabilities and mitigating operational risk, The Army reinvested these savings in the development of transformational capabilities in these and other programs:

- Future Combat System - \$13.5 billion
- Precision Munitions - \$3.2 billion
- Sensors and Communications - \$2.3 billion
- Science and Technology - \$1.1 billion
- Missile and Air Defense - \$1.1 billion

The operational risk associated with the decreased funding for certain current programs is acceptable as long as we field Stryker Brigades on schedule and accelerate the fielding of the Objective Force for arrival, this decade. We will continue to reassess the risk associated with system reductions and related organizational changes against operational requirements and the strategic environment.

AN INFORMATION ENABLED ARMY

Achieving the full spectrum dominance of the Objective Force requires changing the way we fight. Changing the way we fight requires a holistic transformation of Logistics, Personnel, Installation Management, Acquisition, Aviation, business practices – every aspect of The Army must transform. The Objective Force requires innovative changes and out-of-the-box ingenuity in the way we take care of our people and manage the information and material that enhances their readiness and answers their needs – both personal and professional, at home and in the short sword warfight at foxhole level. Simply put, we cannot achieve the Objective Force capabilities without leveraging the full potential of the technological advances that our Nation's industrial base and science and technology communities are developing. The Army has consolidated management of Information Technologies (IT) into a single effort – Army Knowledge Management (AKM). AKM capitalizes on IT resources unique to our Nation and harnesses them for Transformation, for The Army, and for the Combatant Commanders.

Information management is critical to achieving The Army Vision, and Army Knowledge Management supports Transformation through the development and implementation of a network-centric, knowledge-based Army architecture interoperable with the joint system. AKM will accelerate the Detect-Decide-Deliver planning processes and enable warfighters to *see* the adversary first – before our forces are detected; *understand* the Common Relevant Operating Picture (CROP) first; *act* against adversaries first; and *finish* the warfight with decisive victories – *see first, understand first, act first, finish decisively*. AKM will

provide knowledge at the point of decision for all leaders – from the factory to the foxhole.

Enabling collaborative mission planning and execution among widely dispersed locations around the globe, Army Knowledge Management will provide a rapid and seamless flow and exchange of actionable information and knowledge. The Network-centric operations that AKM enables will decrease our logistic footprint and enhance sustainability of the Objective Force through multi-nodal distribution networks – reaching forward to the theater and back to installations. Advanced information technologies will dramatically enhance Battle Command. Command, Control, Communications, and Computer (C4) decision tools seamlessly linked to Intelligence, Surveillance, and Reconnaissance (ISR) assets produce a radically improved Common Relevant Operating Picture (CROP) and enable Battle Command.

AKM will dramatically enhance the warfighter's ability to distribute, process, fuse, and correlate unprecedented amounts of actionable data into information – securely, reliably, and quickly enough to enable leaders to synchronize and mass effects for decisive results. Network-centric operations enable information awareness, information access, and information delivery.

The Army Knowledge Enterprise (AKE) construct describes The Army's process to enable improved strategic and tactical information distribution and collaboration. In short, AKE leverages the ingenuity and resourcefulness of our people in shaping the environment to achieve dominance and helps leaders achieve decision superiority and mission efficiencies.

Integration and refinement of existing Army networks is the first step in achieving a network-centric, information-enabled force that creates efficiencies and provides secure, reliable, actionable information communications. To this end, The Army activated the Network Enterprise Technology Command (NETCOM). NETCOM is The Army's single authority assigned to operate, manage, and defend The Army's information infrastructure. NETCOM has assumed technical control of all Army networks – Active, Guard, and Reserve. This new policy allows NETCOM to evaluate any system, application, or piece of equipment that touches The Army Networks. NETCOM will improve the capacity, performance, and security of our networks at every level.

Among others, one tangible product of NETCOM is the consolidation and removal of redundant servers across The Army. This example of better business practice will harvest significant savings in resources – both dollars and managers – while increasing the effectiveness of the network. Since the first quarter FY02, we have reduced the number of servers Army-wide by 16 percent – 311 in the National Capitol Region alone.

Army Knowledge Online (AKO) begins to allow The Army to decentralize the management of information. AKO is The Army's secure, web-based, internet service that leverages The Army's intellectual capital to better organize, train, equip, and maintain our force. It gives our people a means to collaborate, to improve their situational awareness, and to access their personnel data. Already, hard-copy processes that formerly took days and weeks can now be accomplished almost instantly – from pay to personnel actions to assignments, to name a few. And AKO is just an early glimpse of the potential capabilities of a Network-centric, knowledge based organization that harnesses the potential of the global infostructure.

OPERATIONAL ARMY **THE OBJECTIVE FORCE**

The Army is actively engaged in global operations supporting Combatant Commanders today, but it is our obligation to prepare for the future, as well. The Objective Force is The Army's future full-spectrum force that will be organized, manned, equipped and trained to be more strategically responsive, deployable, agile, versatile, lethal, survivable and sustainable than we are today – across the full spectrum of military operations as an integral member of a cohesive joint team.

The Nation will continue to face adaptive, asymmetric threats that capitalize on the power of information. To dominate and maintain superiority over these emerging challenges, The Army is changing the way we fight – a paradigm shift more significant than the 20th Century's introduction of the tank and the helicopter. The Army is changing from sequential and linear operations to distributed and simultaneous operations. The Objective Force – characterized by networks of people enabled with systems that provide actionable information and decision superiority – will dissuade, deter or decisively defeat our adversaries anytime, anyplace, and anywhere.

The Objective Force will consist of command structures scaled to meet Joint Force Commander requirements and modular combined-arms units tailored according to each situation. Objective Force integrated, mobile, air-ground teams will conduct mounted and dismounted operations and employ both manned and unmanned platforms to achieve decisive victories. Capable of forcible entry and operations in austere environments to address the spectrum of military operations – from humanitarian assistance to warfighting – the Objective Force will conduct simultaneous combat and stability operations and master transitions between phases of operations. It will be an offensively oriented, multi-dimensional force enabled by advanced information technologies that give Soldiers real-time intelligence and actionable information.

The Objective Force will arrive in theater combat capable – deployment will be synonymous with employment. The Objective Force will be strategically

responsive and rapidly deployable on the U.S Air Force family of inter-theater and intra-theater aircraft. An Objective Force Unit of Action (UA) will deploy on approximately one-third the number of aircraft required to deploy a heavy brigade combat team today. It will be operationally deployable and capable of operational maneuver over strategic distances by air, land, or sea. Soldiers will overcome anti-access and area denial strategies and environments through precision maneuver and decision superiority.

Equipped with new systems designed to meet the needs of The Army's future fighting formations, the Objective Force will be a networked system of systems. This system of systems includes Soldiers equipped with the Land Warrior system; a family of 18 integrated, synchronized, manned and unmanned Future Combat Systems (FCS); and critical complementary systems such as the Comanche and the Future Tactical Truck System. The components of the FCS are being synchronously developed and fielded as a complete family to achieve the warfighting capabilities the Nation requires to defeat adaptive, asymmetric conventional and unconventional adversaries.

Soldiers are the centerpiece of The Army's formation – not equipment. And Soldiers of the Objective Force will leverage dominant knowledge to gain decision superiority over any adversary. They will seamlessly integrate Objective Force capabilities with the capabilities of joint forces, Special Operations Forces, other federal agencies, and multinational forces. The Objective Force Soldiers will enable the United States to achieve its national security goals in a crisis, rather than simply inflict punitive strikes on an adversary. Employing FCS capabilities in formations called Units of Action (UA) and Units of Employment (UE), Objective Force Soldiers will provide campaign quality staying power – that means precision fire and maneuver to control terrain, people, and resources, without having to resort to indiscriminate collateral damage. The Land Warrior system will integrate individual Soldiers in the network while providing them increased protection and lethality. And FCS will give Soldiers the capability to destroy any adversary in any weather and environment with smaller calibers, greater precision, more devastating target effects, and at longer-ranges than available today.

Joint C4ISR – a network-centric information architecture nested within the Global Information Grid (GIG) – will connect the Objective Force's system of systems. Capitalizing on the synergistic power of the information network enterprise, every Objective Force Soldier and platform will be capable of sensing and engaging the enemy while maintaining situational awareness of friendly forces. Advanced information technologies and C4ISR decision tools and assets will enhance the Common Relevant Operating Picture (CROP). The Objective Force will identify, locate, and engage critical targets with lethal or non-lethal affects and assess battle damage on those targets. The joint C4ISR linkages will enable the attack on targets with whatever joint or Army assets are available for immediate employment, whether the force is in contact or out of contact. Similarly,

enhanced situational awareness will facilitate multi-layered active and passive defense measures – including both offensive and defensive counter air against air and non-air breathing, manned and unmanned aerial vehicles.

The CROP and Network centric operations will enhance sustainability of the Objective Force through multi-nodal distribution networks that reach forward to the area of operations or reach back to the Home Station Operations Center. Increased reliability through equipment design and commonality among the FCS family of systems will enhance sustainability while reducing logistics demands. Advanced technologies will enable robust Objective Force operations while shrinking the logistics footprint and lift requirements of deployed forces.

The FCS is a transformational approach to meeting this Nation's requirements for the Objective Force. We designed and will field the FCS family in a carefully balanced manner to avoid optimizing a component at the expense of sub-optimizing the overarching capabilities of Objective and joint forces. The acquisition and requirements development processes are being updated to accommodate the Department of Defense's (DoD) direction to field a networked system of systems rapidly through spiral development and an open architecture that allows maturing technological insertions as they occur.

The Army embraces the ongoing DoD and Joint Staff Capabilities and Acquisition processes reform efforts to achieve revolutionary capabilities in the fielding of a new generation of equipment. This collaborative DoD and JCS effort enables The Army to design new information-age capable organizations holistically, use evolutionary acquisition strategies to equip those organizations, and see the Objective Force fielded before the end of this decade.

SCIENCE AND TECHNOLOGY – MOVING TOWARD THE TRANSFORMED ARMY

Preempting our adversaries' technological surprises over the past three years, Army Science and Technology investments are already providing America's Army with sustained overmatch in all materiel systems. And The Army has increased and focused its Science and Technology (S&T) investments. We are demonstrating the enabling joint interoperable technologies essential for Objective Force capabilities and accelerating their arrival. Our S&T program is pursuing a wide spectrum of technologies for unmanned air and ground systems that will expand the range of joint warfighting capabilities, reduce risk to Soldiers, and reduce the logistics footprint of the force. Realizing the full potential of unmanned systems requires technological development in sensors that improve navigation and mission performance, in intelligent systems for semi-autonomous or autonomous operation, in networked communications for manned-unmanned teaming, and in human-robotic interfaces, among many others.

The Defense Advanced Research Projects Agency (DARPA) and Army partnership contracted for a Lead Systems Integrator (LSI) to accelerate the transition of FCS to the System Development and Demonstration (SDD) Phase, with a Milestone B decision in May 2003. The Army is on track to achieve first unit equipped in 2008 and an initial operating capability of one Objective Force Unit of Action (UA) in 2010. To accelerate development and in partnership DARPA, the focus on key transformation technologies for the FCS has been narrowed to the systems with the most promise. Our highest priority S&T efforts remain technological advances for the Future Combat System (FCS).

The Army will field FCS as a family of systems built on information age technologies embedded in manned and unmanned air and ground platforms. Integral to joint fires, the family of systems will integrate long-range air- and ground-based sensors with long-range cannon and missile precision munitions. The family of systems will also provide increased joint capabilities to conduct battle command, reconnaissance, mounted combat operations, dismounted combat operations, medical treatment and evacuation, and maintenance and recovery. To provide decisive lethality, FCS will employ networked, precision and loitering attack munitions fired from modular, easily transportable containers. Finally, FCS will leverage embedded, real-time interactive, virtual, distributed, collaborative, joint simulations for training and mission rehearsal.

ENABLING THE OBJECTIVE FORCE SOLDIER

Eighteen systems, both manned and unmanned; the Objective Force Soldier; and C4ISR, together, comprise the Future Combat System. Manned and unmanned reconnaissance capabilities are part of the FCS Family of Systems' interdependent networked air- and ground-based maneuver, maneuver support, and sustainment systems.

There are 10 Unmanned Systems: Unmanned Aerial Vehicles (UAV) Classes 1, 2, 3, and 4; Unmanned Ground Vehicles (UGV) – the Multifunction Utility / Logistics and Equipment (MULE), the Armed Robotic Vehicle (ARV), and the Small (manpackable) Unmanned Ground Vehicle (MUGV); Unattended Ground Sensors (UGS); and Unattended Munitions – the Non-Line-of-Sight (NLOS) Launch System (LS) and Intelligent Munitions Systems (IMS).

There are 8 manned systems: the Infantry Carrier Vehicle (ICV); Command and Control Vehicle (C2V); Reconnaissance and Surveillance Vehicle (RSV); Line-of-Sight, Beyond-Line-of-Sight Mounted Combat System (LOS / BLOS MCS); NLOS- Mortar; Medical Vehicle (MV); the FCS Recovery and Maintenance Vehicle (FRMV); and the Non-Line-of-Sight (NLOS) Cannon.

Decisive warfighting is about fires and maneuver: fires enable maneuver, and maneuver enables fires. Joint and organic close, supporting, indirect fires destroy the enemy, suppress the enemy's capabilities, protect our forces and

enable ground units to maneuver. The ICV, the Unattended Munitions NLOS-LS, IMS, C2V, MCS, NLOS-Mortar, and NLOS Cannon are important elements of the FCS that will enable the Objective Force to conduct distributed and simultaneous joint combat operations. With joint fires, the NLOS cannon is critical to support and protect our land forces in hostile environments. NLOS-LS NetFires is a platform-independent family of missiles with precision attack and loitering capability. Both Precision Guided Mortar Munitions and Excalibur precision cannon munitions will enhance organic maneuver fires. A new, joint fire support, battle command and fire support architecture will allow rapid engagement of targets by any Army or joint asset.

For over 227 years, Soldiers have remained the centerpiece of our formations. The Land Warrior program – another key S&T initiative – responds to this legacy and enhances our Soldiers combat power generation capability. The Land Warrior program will develop a lightweight, low observable, enhanced-armor protection, fighting ensemble for the individual Objective Force Soldier. Through networked connectivity to the FCS-equipped, maneuver Unit of Action, Land Warrior Soldiers will enable revolutionary lethality, mobility, survivability, and sustainability for the individual warfighter while reducing logistics demands.

Future Combat Systems are networked in the joint C4ISR architecture – including networked communications, networked options, sensors, battle command systems, training, and both manned and unmanned reconnaissance and surveillance capabilities. These networked systems will dramatically enhance situational awareness and understanding and operational level synchronization well beyond today's standards. Improved C4ISR capabilities will enable network-centric Objective Force operations. The results of the investments will allow leaders to capitalize on sensor and processing technology to see, understand, and shape the battlespace before the enemy can react – increasing combat force effectiveness and survivability. The S&T program will develop and demonstrate real-time, continuous situational understanding by integrating data from manned and unmanned air- and ground-based sensors.

S&T investments in military logistics are an important enabler for the Objective Force. We are placing our emphasis on sustainment's big drivers – fuel, ammunition, maintenance, and water – to dramatically reduce our logistics footprint and lift requirements in these areas. Key technologies include on-board water generation, real-time logistics command and control processes and distribution management, enhanced multi-purpose munitions and packaging, efficient propulsion and power technologies, real-time diagnostics and prognostics, and Micro-Electro Mechanical Systems (MEMS).

TRANSFORMATIONAL SYSTEMS

Several transformational systems were under development prior to announcement of The Army Vision in October 1999. The Army has completed

an extensive analysis to identify those systems that complement FCS and the Objective Force system of systems.

The Comanche Helicopter is the centerpiece of the Aviation Modernization Plan (AMP) and represents the first new system to reach Initial Operational Capability (IOC) within The Army's Objective Force. Comanche is our armed reconnaissance platform with attack capabilities. It will leverage the situational awareness and situational curiosity of a scout augmented with revolutionary, state-of-the-art Intelligence, Surveillance, and Reconnaissance (ISR) technologies. Comanche supports vertical and horizontal maneuver as an integral part of network centric operations and extends human eyes and decision-making beyond the ground maneuver force. Utilizing stealth technologies, it will network with all joint C4ISR and joint weapons systems. Comanche will leverage maximum effect of future standoff precision weapon systems such as the Common Missile and allow us to maneuver ground formations based upon full knowledge of the situation. Augmented with armed or unarmed Unmanned Aerial Vehicles (UAVs), Comanche will fill ground maneuver's most critical battlefield deficiency – armed aerial reconnaissance – with a capable, survivable, and sustainable aircraft. The Comanche program is already well on its way to giving The Army a capability pivotal to transforming the way we will fight.

Several other transformational systems will empower the Objective Force with the knowledge dominance and battle command to provide decision superiority across the spectrum of operations. The Warfighter Information Network-Tactical (WIN-T) System, Medium Extended Air Defense System (MEADS), the Joint Tactical Radio System (JTRS), and The Army Airborne Command and Control System (A2C2S) will enable Objective Force joint C4ISR capabilities. These programs will provide the tactical enterprise level networks that will ensure seamless, secure, digital connectivity between the Objective, Interim, and today's forces. The Distributed Common Ground System-Army (DCGS-A) architecture provides Army network-centric ISR connectivity from national agencies to joint systems to Objective Force Units of Action as part of the integrated Department of Defense DCGS architecture. DCGS-A will enable interoperable tasking, processing, and exploitation capabilities. The Aerial Common Sensor brings improved signal intelligence collection and precision geolocation capabilities, as well as imagery intelligence (IMINT) and measurement and signals (MASINT) sensor packages. Another system, Prophet, uses communications intelligence to depict the battlespace and further enhance situational awareness. These C4ISR systems greatly enhance the Objective Force's ability to gain actionable information superiority and decision dominance over all adversaries and expand the range of options for the joint force Combatant Commanders.

Transformational systems will provide the Objective Force with strategic and tactical maneuver capabilities. The Theater Support Vessel will support rapid intra-theater lift requirements, provide the capability to conduct operational

maneuver and repositioning, and enable units to conduct enroute mission planning and rehearsal. The Future Tactical Truck System will have commonality with FCS and will support the Objective Force by enabling command, control, and transportation of cargo, equipment, and personnel. And the Tactical Electric Power (TEP) generators will provide power to Objective Force units where fixed power grids are not available.

Transformational systems provide the Objective Force with other important capabilities, as well. Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) effects systems support the Objective Force across the spectrum of military operations and improve capabilities to conduct Homeland Security activities. Engineer, civil affairs, and psychological operations vehicles will enable mobility and enhance civil affairs and PSYOPs capabilities. The Up-Armored High Mobility Multi-purpose Wheeled Vehicle (HMMWV) will improve Objective Force Soldier survivability and lethality. The Multi-Mission Radar will provide the capability to detect and track aircraft, artillery, and other projectiles, then queue appropriate weapons systems and airspace synchronization systems. The High Mobility Artillery Rocket System (HIMARS) is a lighter weight, more deployable multiple rocket launcher capability that will integrate into the joint fires network.

BRIDGING THE CAPABILITIES GAP –STRYKER BRIGADE COMBAT TEAMS

Announcing our intent to field an Interim Force in October 1999, The Army responded to a capabilities gap between its lethal, survivable, but slow-to-deploy heavy forces and its rapidly deployable light forces that lack the protection, lethality, and tactical mobility that we seek. Just two-and-a-half years later in 2002, The Army began fielding the first Stryker Brigade Combat Team to bridge that gap. In 2003 – less than four years after the announcement – we are on track to achieve IOC with the first SBCT at Fort Lewis, Washington. Stryker Brigades will provide the Combatant Commander vastly increased operational and tactical flexibility to execute fast-paced, distributed, non-contiguous operations.

Stryker Brigade Combat Teams respond to Combatant Commander requirements across the spectrum of military operations. Optimized for combat in complex and urban terrain, the Stryker Brigades will be decisive in other major combat operations, as well. The SBCT Reconnaissance, Surveillance, and Target Acquisition (RSTA) Squadron provides both organic human intelligence capabilities and UAVs embedded at the brigade level. Its military intelligence and signal companies – working through a digitally enabled battle command bridge – leverage theater and national assets to create an information-enabled force. SBCTs will use this enhanced joint C4ISR capability to revolutionize combat paradigms from *“make contact, develop the situation, maneuver the forces”* to *“understand the situation, maneuver the forces, make contact at the time and place of your own choosing, and finish decisively.”*

Moreover, leveraging platform commonality, enhancing logistics practices and enablers, and reorganizing logistics formations, the SBCT is vastly more deployable and sustainable than our heavy forces, while significantly increasing combat power generating capabilities. Augmented for sustained operations, the SBCT requires 37 percent fewer CSS personnel than a digitized heavy brigade. While capitalizing on these advantages, developing and available technologies allow us to mass effects – rather than massing formations – and create a robust, reliable capability to conduct operational maneuver over strategic distances.

Finally, SBCTs provide an invaluable means of spearheading Transformation. The SBCT trains junior officers and noncommissioned officers – tomorrow's commanders and command sergeants major – in the tactics, techniques, and procedures that will inform employment of the Objective Force.

The Army has resourced six Stryker Brigade Combat Teams to contribute to fulfilling the 1-4-2-1 defense construct and national security requirements; however, at this time, the Secretary of Defense has only authorized the procurement of the first four brigades. The Army will provide the Secretary of Defense with a plan for Stryker Brigades 5 and 6.

Fielding of the SBCTs affects the entire Army: Active and Reserve Components; heavy and light forces; CONUS and OCONUS. And current fielding timelines will enhance the Nation's ability to fight and win the GWOT and conduct major combat operations. The transformation of four Active Component brigades to SBCTs provides a rotational base with three of the SBCTs focused on the Pacific theater. One of the two SBCTs fielded at Fort Lewis will be forward-based in Europe not later than 2007. The Stryker Cavalry Regiment will support the XVIII Airborne Corps' critical need for robust, armed reconnaissance. The conversion of a Reserve Component brigade to an SBCT will enhance our strategic reserve and support the GWOT, Smaller Scale Contingencies, and Homeland Defense missions. Additionally, SBCT stationing provides rapid, strategic responsiveness through power projection platforms capable of supporting four critical regions described in the 1-4-2-1 defense construct. The first SBCT will attain Initial Operational Capability in the summer of 2003.

PRESERVING THE ARMY'S LEGACY

Today's force guarantees The Army's near-term warfighting readiness to fight and win our Nation's wars, decisively. Because The Army bypassed a procurement generation, The Army's Combat Support and Combat Service Support systems now exceed their 20-year expected life cycle, and 75 percent of our critical combat systems exceed their expected half-life cycle. To maintain operational readiness while preserving resources for Transformation, The Army is recapitalizing and selectively modernizing a portion of the current force. The modernization program addresses the critical issue of AC and RC interoperability and serves as a bridge to mesh these two components seamlessly. In general,

The Army *increased* funding for programs that are *clearly transformational* and support the Defense transformation goals, *sustained* funding for high priority systems that will transition to the Objective Force, and *reduced* funding for systems not essential to Army Transformation. The Army remains committed to its 17-system recapitalization program, but we have reduced the prioritized recapitalization program from three-and-one-third divisions to two divisions.

Army Special Operations Forces (ARSOF) are an indispensable part of The Army and will continue to provide unique capabilities to the Joint Force and Land Component Commanders. In response to the increasing requirement for Special Operations Forces in support of joint campaign plans, The Army has validated and resourced growth in its SOF structure. The recent initiatives will transfer 1,788 manpower spaces to Major Force Program-11 beginning in FY03. Since the commencement of ARSOF operations in support of the GWOT, the U.S. Army has provided over \$1.4 billion in new equipment to enhance Special Operations Forces firepower, communications, and ground and air mobility.

The Army will remain the largest user of space-based capabilities among the Services. Army space assets are providing tangible support to the war on terrorism and Operation Enduring Freedom – they ensure Army and Joint Force Commanders optimize communications, satellite intelligence, Global Positioning System, imagery, weather, missile warning, and other space-based capabilities in every aspect of planning and operations. We are working diligently with the joint and interagency space community to ensure that Army and joint space systems continue to provide their essential capabilities now and for the Objective Force.

AVIATION TRANSFORMATION AND RESTRUCTURING

Aviation Transformation further demonstrates The Army's hard choices in balancing risk to resource Transformation. Our interim plan – now in progress – lowers operating and sustainment costs while posturing aviation for arrival of the Objective Force by 2010. Apache modernization is an integral part of the Army Aviation Transformation Plan. The AH-64D Longbow heavy attack team will enhance domination of the maneuver battlespace and provide the ground commander with a versatile, long-range weapon system against a range of fixed and moving targets. The UH-60 Blackhawk continues to be the assault workhorse of Army Aviation, executing over 40 percent of The Army's annual flying hours. We are extending the life of the UH-60 while providing it with capabilities required of the future battlespace. Similarly, The Army is fully committed to the CH-47F Chinook program. Its heavy-lift capability is invaluable to transforming The Army. As we restructure and standardize attack and lift formations across the force, we will also adjust the stationing and alignment of Reserve Component aviation units to mitigate the near-term risk.

Army National Guard Aviation comprises almost 50 percent of The Army's aviation force and is one of the Nation's most valuable assets both for wartime and for peacetime missions. Essential for successful execution of the Nation's military strategy, the ARNG currently has aviation units deployed in Afghanistan, Kuwait, Bosnia, Europe, and Saudi Arabia, as well as Central and South America.

ARMY NATIONAL GUARD RESTRUCTURING INITIATIVE (ARNGRI)

ARNGRI seeks to transform a sizeable portion of ARNG combat structure into more deployable, flexible fighting forces to support Army requirements at home and abroad. ARNGRI will introduce two new organizations into the force structure: Mobile Light Brigades (MLB) and Multi-Functional Divisions (MFD). These organizations will provide full spectrum capabilities in support of Combatant Commanders. The MLB will operate as a subordinate unit to the MFD, which will also contain two combat support / combat service support brigades and be capable of supporting either major combat or homeland security operations.

ARMY RESERVE TRANSFORMATION INITIATIVES

By providing responsive force generating capability and technically trained individuals, The Army Reserve (USAR) facilitates our capability to conduct extended campaigns in multiple theaters and to sustain joint operations. Army Reserve initiatives ensure the USAR is missioned, organized, and equipped to provide interoperability across the full spectrum of military operations. Transformational organizations include experimentation forces and information operations, joint augmentation, network security, and interagency units.

The Readiness Command Restructuring (RCR) initiative and Federal Reserve Restructuring Initiative (FRRI) will help the USAR fulfill these new mission requirements. These initiatives lend greater flexibility to efforts that enhance responsiveness to America's foreign and domestic protection needs. Regional Readiness Commands will focus on individual and unit readiness, leader development, training and growth which will demand a new personnel system that achieves holistic life-cycle management for Army Reserve Soldiers.

INSTITUTIONAL ARMY TRANSFORMING THE WAY WE DO BUSINESS

We have made great strides in revolutionizing our business management practices by starting at the very top. Last year, we realigned our headquarters by reorganizing and realigning responsibilities of the Secretariat and the Army Staff – streamlining coordination, tasking, and decision-making – resulting in a more responsive and efficient organization. This initiative allowed us to eliminate

unnecessary functions and redistribute 585 manpower spaces to accomplish core competencies.

As previously discussed, The Army has addressed the management of its installations, personnel systems, and contracting in its Transformation of Installation Management (TIM). We are aggressively pursuing efforts to outsource non-core functions. The Army will reap substantial dividends in efficiency and effectiveness through these strategic realignments of human and physical capital.

PERSONNEL TRANSFORMATION

The Secretary of the Army's key management initiative is personnel transformation. Its goal is to modernize and integrate human resource programs, policies, processes, and systems into a multi-component force that includes civilians and contractors. We will evaluate our processes and implement the most efficient program, policies, and organizations to support the Objective Force.

The centerpiece of Personnel Transformation is a comprehensive effort focused on a potential Army-wide implementation of unit manning and unit rotation. We are aggressively examining the feasibility of a unit manning and rotation system that would better support the new national defense strategy, improve cohesion and combat readiness within the operational Army, provide highly cohesive well-trained units to Combatant Commanders, and improve well-being for families by providing greater stability and predictability in assignments. The Army currently uses unit rotations in support of operational missions in the Balkans, Sinai, and Afghanistan. The Army is studying the use of unit rotations for other locations and in the war on terrorism. Units would know of these rotations well in advance, providing families with greater predictability and enabling focused preparation, both of which contribute to increased combat readiness of the unit.

Unit manning seeks to synchronize the life cycle of a unit with the life cycle of the Soldier within that unit. All Soldiers and leaders would be stabilized, resulting in a significant increase in cohesion and combat readiness over our present individual replacement system. Such a system has significant second and third order effects across the force – training and leader development, recruiting and retention, unit readiness levels, and total Army endstrength, among others. All of these are being studied intensively, and we anticipate senior Army leadership decisions on unit manning and unit rotation in July 2003.

THIRD WAVE

Because we operate in an environment in which there are increasing demands for military capabilities – the Secretary of the Army's Third Wave initiative seeks to ensure that we are achieving the best value possible for our taxpayers' dollars.

There are three phases to the Third Wave process. First, we determined what activities were core or non-core to The Army's mission. In the second phase, we are validating the breakout between core and non-core functions by determining if any non-core functions should be exempted. This phase has an anticipated completion date of mid- to late February 2003. Upon completion, The Army leadership will notify Congress of the results of this phase. In the third phase, key Army leaders will assess appropriate plans to execute non-core functions, select the best means to proceed, and develop implementation plans. At this time, we do not know how many of the 214,000 jobs identified as potentially non-core functions in Phase I will be included in implementation plans. Although implementation plans will target execution in fiscal years 2005-2009, some implementation plans may be delayed beyond that period.

The implementation of competitive sourcing of non-core functions will adhere to OMB Circular A-76 and related statutory provisions. Exceptions to the requirement for public-private competition are limited, such as where 10 or fewer civilian employees perform the function or where legal restrictions against using the A-76 process apply to the function. To lower costs for taxpayers and improve program performance to citizens, OMB has undertaken major revisions to the processes and practices in OMB Circular A-76 to improve the public-private competition process.

ACQUISITION TRANSFORMATION

The Army is leading the way in acquisition reform within DoD's broad transformation of defense acquisition policies and procedures. The Army's FCS program may prove to be the largest DoD acquisition effort that fully embraces the concepts of evolutionary acquisition and spiral development – leveraging the potential of rapid advancement within individual technologies by allowing for changes within programs as technologies mature.

The FCS program is evolutionary in its design and incorporates periodic blocked improvements within its 19 systems – the Objective Force Soldier and 18 manned and unmanned systems. Within these 19 systems are 540 spirally developing technologies. The Army's use of a Lead System Integrator (LSI) enables a "best of the best" approach to selection from competing industry efforts. Our unprecedented partnership with DARPA ensures the FCS effort leverages that agency's DoD-wide perspective and resources to produce the best capability and value for the Joint Force.

The Army continues to revise its acquisition policies and applicable regulatory guidance. On October 3, 2001, The Army approved an acquisition reorganization that transferred control of all acquisition program management to the Army Acquisition Executive (AAE) and eliminated duplication of effort in two major Army commands. Effective October 2002, twelve Program Executive Officers (PEO) report to the Army Acquisition Executive, and their subordinate

PEOs assumed management of all Army acquisition programs, regardless of Acquisition Category. The plan ensures that there is only one chain of authority for acquisition programs within The Army. In addition, the plan clearly holds Program Managers responsible and accountable for the life cycle management of their assigned programs.

We have also transformed the way we conduct business through the organization of the Army Contracting Agency (ACA) that realigns our previously decentralized installation and information technology contracting processes into one organization. Responsible for all contracts over \$500,000 and tasked to eliminate redundant contracts, ACA leverages Army-wide requirements to achieve economies of scale. ACA supports Army Transformation efforts by aligning all base support contracting into a single organization that best supports installation management transformation. All of these initiatives use information technology to leverage enterprise-wide buying capabilities. Additionally, ACA will act as the single coordinating element and form the base from which to deploy contingency-contracting, operational support to the warfighting commands. The Army Contracting Agency and other contracting activities will continue to support small business awards in the outstanding manner it did in FY02.

LOGISTICS TRANSFORMATION

We cannot transform The Army without a transformation in logistics. We must incorporate the logistician's view into the design of our systems even before we begin to build platforms. Collaboration between the acquisition and logistics communities will give the Objective Force the rapid deployability and sustainability we demand – by design – without compromising warfighting capability.

Designing the right logistics architecture – systems, business processes, enterprise, for example – is fundamental to success. The Army's Logistics Transformation will focus on creating an overarching corporate logistics enterprise that employs industries' best business practices. Within this enterprise, The Army established three principal goals for Logistics Transformation: enhance strategic mobility and deployability; optimize the logistics footprint; and reduce the cost of logistics support without reducing readiness or warfighting capability.

The Army's mobility and deployability goals for the Objective Force are to deploy a combat brigade within 96 hours after lift off, a division on the ground in 120 hours, and a five-division corps in theater in 30 days. To achieve this strategic responsiveness, the Army Strategic Mobility Program (ASMP) serves as a catalyst to bring about force projection changes both in The Army's and in our Sister Services' lift programs. Platforms like the Intra-Theater Support Vessel (TSV) and Inter-Theater Shallow Draft High Speed Sealift (SDHSS) provide

transformational capabilities for operational and strategic maneuver and sustainment of Army formations.

Because strategic air and sealift cannot meet deployment requirements, Army Prepositioned Stocks (APS) ashore and afloat continue to be a critical component of Army power projection. The Army is currently participating in a joint-led Worldwide Prepositioning Study to determine if location, mix, and capabilities in existing stocks of combat, combat support, and combat service support require adjustments to meet the Defense Strategy more effectively.

The Objective Force requires The Army to optimize its logistics footprint to produce a smaller, more agile, responsive, and flexible sustainment organization. To achieve this goal, we will leverage technology and innovative sustainment concepts. The Army is already developing and integrating key enablers to provide a transformed, corporate logistics enterprise. Some of these enablers include embedded diagnostics and prognostics, tactical logistics data digitization (TLDD), serial number tracking, and the Global Combat Service Support – Army (GCSS-A) system that utilizes a commercial Enterprise Resource Planning (ERP) solution. The ERP approach changes The Army's logistics automation systems strategy from one of custom code development for unique Army requirements to adoption of a commercial off-the-shelf (COTS) product.

The selective use of the Logistics Civil Augmentation Program (LOGCAP) to augment military logistics force structure provides commanders with the flexibility to reallocate manpower, resources, and materiel by adding contractors to the equation of logistics support. In addition to providing services and some supply support, these contractors can quickly deploy to establish base camps, receive and process Soldiers as they begin arriving in theater, and reverse the process when Soldiers go home.

Current initiatives that help reduce costs without reducing readiness or warfighting capability include the National Maintenance Program (NMP) and the Single Stock Fund (SSF). As previously discussed, programs provide two basic building blocks for a revolutionary change in logistics business practices.

ADVANCED MEDICAL TECHNOLOGY

Congress designated The Army as the lead agent for DoD vaccine, drug, and development programs for medical countermeasures to battlefield threats. This includes vaccines against naturally occurring infectious diseases of military significance, combat casualty care, military operational medicine, and telemedicine research. The program also funds Food and Drug Administration requirements for technology transition to advanced development.

The medical force provides the requisite medical intervention and care for the Joint Force deployed around the globe. With its Medical Reengineering Initiative

(MRI), The Army Medical Department has transformed 28 percent of its Corps, and echelon above Corps, force structure to an organizational structure that promotes scalability through easily tailored, capabilities-based packages. These packages result in improved tactical mobility, reduced footprint, and increased modularity for flexible task organization. MRI supports both the current forces and the Stryker Brigades, and is the bridge to the Objective Medical Force. We have implemented innovative strategies make the most efficient use of our budget. Medical modernization, which includes the acquisition of current medical equipment and technology, is partially funded within MRI units.

BUSINESS INITIATIVES COUNCIL

In June 2001, the Secretary of Defense established the Department of Defense Business Initiatives Council (DoD BIC). The DoD BIC's goal is to improve business operations and processes by identifying and implementing initiatives that expand capabilities, improve efficiency and effectiveness, and create resource savings in time, money, or manpower.

The Army has aggressively explored ways to improve its internal business practices, and has established The Army BIC (ABIC), under the leadership of the Secretary and the G-8. Effective November 13, 2002, the Secretary of the Army has approved a total of 35 initiatives under the ABIC. Subsequently, The Army submitted a number of the initiatives through the formal DoD BIC process for implementation across the Services and other DoD activities. The BIC process has helped to create a culture of innovation and inter-service cooperation. The superb level of cooperation across the military departments, the Joint Staff and OSD has made this possible.

A COMMITMENT TO THE FUTURE

With the continued strong support of the Administration, the Congress, our Soldiers, and our Department of the Army civilians, and the greatest industrial base and science and technology communities in the world, The Army will field the Objective Force – this decade.

By 2010, we will have fielded the first operationally capable Objective Force unit equipped with the Future Combat Systems. Our Stryker Brigade Combat Teams will be providing to Combatant Commanders capabilities not currently available – enhanced strategic responsiveness and the ability to operate in a distributed, non-linear battlespace. Through selective recapitalization and modernization of systems that enable our Soldiers to preserve our legacy today, we will have sustained a decisive-win capability at a high state of readiness as an integral part of the Joint Force. And we will have significantly improved the well-being of our people and sustainment of Army infrastructure.

We remain committed to our legacy – preserving America's freedoms. In peace and in war, The Army's Soldiers serve the Nation with unmatched courage, indomitable will, pride, and plain grit – as they have for over 227 years. Soldiers will continue to fight and win the Nation's wars, decisively – it is our sacred duty and our non-negotiable contract with the American people.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

FEBRUARY 12, 2003

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. This Congress established recently an 18-month Army enlistment. For the record, at a later time, Mr. Secretary, would you furnish this committee with the status of that provision?

Secretary WHITE. Section 531 of Public Law 107-314 (Bob Stump National Defense Authorization Act for Fiscal Year 2003 (NDAA 03)) repeals the 18-month enlistment program. Instead, Section 531 of the NDAA 03 directed the Department of Defense to offer an enlistment option to facilitate interest in National Service. The effective date of the option will be October 1, 2003. The Army is finalizing its implementation plan for this enlistment option.

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ. With the current number of open-ended missions in which the Army is engaged and the prospect of more missions on the near horizon, what is the Army's strategy for maintaining the necessary troop combat readiness?

Secretary WHITE and General SHINSEKI. The Army is conducting current operations at its highest readiness level in the last several years. This is due to several factors including the Manning the Force initiative begun in 2001 to fully man our warfighting formations, an increase in the Army's operating strength, and a higher operating pace as units focus training to meet current warfighting requirements. Specific readiness levels are classified, but the Active and mobilized Reserve Component forces are resourced to levels necessary to meet their wartime missions and deployment timelines.

Our strategy to sustain readiness will require Congressional support to address funding requirements. The current high operating pace does stress the people and equipment critical to the Army's readiness. We cannot meet the requirements of the global war on terrorism and the combat readiness of our units by borrowing against other programmed funds. Adequate funding to pay for current operations and support the cost of force reconstitution will impact our readiness to sustain operations and prepare for future missions. The Army is working to fully capture costs and plan for the reconstitution of forces.

The strategy to maintain combat readiness also requires continued use of Reserve Component units in the global war on terrorism. Additionally, the Army has mitigated the impacts of ongoing peacekeeping missions in the Balkans and the Sinai by fully sourcing these missions with Reserve Component units. This allows the Army to free up Active Component forces for warfighting requirements.

Mr. ORTIZ. What is the Army's long-term strategy for its depots? Are we going to see the commitment necessary to keep the depots adequately supplied, the equipment updated, and the civil service employees trained so the depot can meet its mission? I consider these facilities mandatory for our national security. I know you are aware of the Apache transmission issue a few short years ago. Corpus Christi Army Depot proved the worth of an in-house capability.

Secretary WHITE and General SHINSEKI. The Army's overall strategy is to provide focused support to the warfighters through the flexible, responsive public and private depot capabilities. The Army is leveraging the full benefits of a public-private sector partnership. We have submitted an implementation plan to the Office of the Secretary of Defense and have been reporting our progress the last several years. To implement this strategy, we will institute a focused strategic planning process that addresses "best practices" for production and support operations. This includes workforce education, improved project and production management processes, and improved technology infrastructure. This will be facilitated by the application of "lean processes" to improve productivity and customer satisfaction and to reduce cost. These measures will further enhance our depots' abilities to engage in public-private partnerships bringing in new technologies and employment opportunities for the skilled workforce.

To facilitate the modernization of our organic depots, we are submitting a Capital Improvement Plan that will address our needs to support our legacy systems, In-

terim Force, and Objective Force for fiscal years 2003-2020 as we progress with our Transformation process.

Mr. ORTIZ. How do you plan to maintain your expertise in your industrial facilities with the large percentage of active duty and civil service workers expected to retire in the next five years? I am a supporter of the apprenticeship programs and other efforts to get new talent into the facilities, but why am I not seeing the funding necessary to fully address the problem?

Secretary WHITE and General SHINSEKI. We have several strategies for replenishing the aging civilian workforce. For example, since 1978, we have operated a highly successful intern program that has provided a diverse, highly educated, high-quality feeder group for our professional workforce. We are now starting to ramp up from a low of 650 interns to having enough dollars in the FY05-09 Program Objective Memorandum (POM) to support 1,900 interns during that POM cycle. We currently manage 950 intern work years.

To train a successor workforce in specific technical skills, we have the Army Materiel Command (AMC) apprenticeship program. The National Defense Authorization Act for Fiscal Year 2001 provided \$3 million to start the program, and in FY02, AMC received a \$1 million Congressional increase to support the program. The program, approved by the Department of Labor Bureau of Apprenticeship and Training Standards, is a four-year training program aimed at addressing the problem of an aging maintenance workforce, 89 percent of which is over the age of 40 with 45 percent over the age of 50. There are currently 79 apprentices at five AMC depots and one arsenal. They all will graduate in fiscal year 2005. Although outyear funding is uncertain, we are working to validate AMC's need in the FY05-09 POM.

We are monitoring intake to balance workforce age and skill needs. To refine and forecast our future civilian workforce needs accurately, the Army has developed and employs a sophisticated projection model that provides the capability to forecast future civilian needs under various alternative scenarios.

We continue to seek statutory change to provide greater flexibility in hiring and retaining the best employees. We strongly support the Secretary of Defense's legislative proposal for creation of a National Security Personnel System for DOD civilians. The proposal, still under review, would allow managers to hire more quickly, pay more competitively, and flexibly and fairly advance and remove employees—all key to attracting and sustaining an agile civilian force which is vital to total force readiness. The proposal would preserve merit system principles and continue to accommodate veterans' preference and our obligation to bargain with labor organizations.

We are working with major Army commands to improve and increase the civilian recruiting base by leveraging university research dollars and obtaining professors or graduate students in their "off times" to work for the Army. We are also conducting careful, targeted advertising to obtain the skilled employees we need.

Mr. ORTIZ. As we know, we must have surge capability in our depots. How are you ensuring you have a surge capability that is responsive and compatible with your requirements, especially in the event of a very short conflict duration?

Secretary WHITE and General SHINSEKI. The five Army maintenance depots have the capability to surge in support of near- and short-term requirements as well as support contingency scenarios of a much longer duration. Our ability to maintain sufficient core capability, key equipment, and facilities during peacetime is key to the success of our responsiveness to surge requirements. The Army's plan in sizing of the organic depots is based on readiness to go to war, depot maintenance required during a conflict, and restoration and reconstitution after the war. Readiness requirements drive us to the direct labor hours required to maintain the necessary skills to support the warfighters. Maintaining the basic core skills for many of our weapon systems provides us the ability to very quickly ramp up production operations at each of our organic maintenance depots. If a conflict arises which exceed on-hand equipment, depots will ramp up repair efforts to meet demands. All of our industrial facilities have the ability and flexibility to surge selected items within a minimum amount of time. This can be accomplished using multiple shifts, overtime, and in some cases, shifting portions of the workforce onto different production lines. Temporary hires are also considered for surge.

QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. MCHUGH. I would ask that you give one fact set to the committee. And that is we would like you to get to our Staff Director a base fact set with respect to facilities, and don't reinvent the wheel but retrieve what you have on record, the fact set with respect to facilities, capital investment, training apparatus, and personnel and family member support structure of our Army footprint in Germany.

Secretary WHITE. The following fact set on personnel strengths, number of installations, facilities, training apparatus, and family member support structure is provided for the Army's presence in Germany:

- The Army's authorized force structure for Germany in FY03 is 57,153 military personnel.
- There are approximately 12,500 U.S. civilians in Germany supporting the Army force structure.
- There are 207 installations in Germany, managed geographically by 14 base support battalions, which are considered "parent installations." U.S. occupied installations in Germany are generally small real property holdings called "kasernes." An installation in Europe can be as small as a parcel of land with only one building.
- The total acreage held by the U.S. in Germany is approximately 149,800 acres. This roughly equates to the acreage of Fort Carson, Colorado.
- The U.S. occupies approximately 16,700 buildings in Germany equaling approximately 142,800,000 square feet, including family housing. The U.S. Army also has a proactive installation closure and facility reduction program. Since 1990, the Army has returned approximately 165 million square feet, the equivalent to closing 12 of our large U.S. installations. Efficient Basing-East will further consolidate our footprint and reduce square footage by approximately 5 million to 6 million square feet.
- There are 17 firing and maneuver areas and 16 maneuver areas in Germany controlled by U.S. Army Europe totaling approximately 122,400 acres, 11 of which have over 500 acres. These training areas and ranges in Germany are organized as local training areas or major training areas. The two major training areas are at Grafenwoehr and Hohenfels. Grafenwoehr can support heavy brigade-sized, direct live-fire training. Hohenfels houses the Combat Maneuver Training Center and can train up to battalion-sized elements but no live fire. Brigade combat teams rotate through these areas at least once a year, and the training provided is comparable to that provided at installations in the U.S. The local training areas provide essential live-fire training and room for small unit maneuver.
- The number of family members in Germany is estimated to be 70,850.
- There are approximately 3.9 million square feet of facilities (308 facilities) dedicated to family support in Germany. This includes child development centers, youth centers, commissaries, main exchange retail stores, bowling centers, and craft shops.
- There are 27,116 (21,846 government owned, 5270 leased) U.S. Army family housing units in Germany.
- Approximately 23,100 soldiers can be housed in barracks in Germany.
- The Armed Forces Recreation Center—Europe has resort locations at Garmisch and Chiemsee, Germany. The Chiemsee facility is to close in September 2003, and a new resort hotel will be opening at Garmisch in fall of 2004. These facilities are available to all active and retired service members, DOD civilians, and their families stationed in Europe.

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. I'd like to ask you a few questions regarding the Third Wave outsourcing program. There seems to be some conflicting information about how the Army intends to proceed with this huge push to study up to 210,000 military and civilian positions (this figure includes up to half of the Army's civilian workforce). Your October 4, 2002, memo outlining the Third Wave directs Army commanders and agencies to develop "implementation plans for privatizing, divesting, competing using A-76, outsourcing using 'alternatives to A-76,' converting military spaces to civilian or contract, or transferring to other government agencies, non-core functions that fall under [their] purview." Yet, at subsequent briefings on Capitol Hill, Department of the Army officials (namely Dr. John Anderson from Manpower and Reserve Affairs), claimed that no jobs would be turned over to contractors without first being subjected to a public-private competition. These two statements appear to directly contradict each other. Would you please define "alternatives to A-76" and "divestiture" in this context?

Secretary WHITE. No federal employee job will be converted to private sector performance without the opportunity for the installation to compete the function using the A-76 process, or some other method currently permitted in the governing stat-

utes. The only known exceptions to the requirement for public-private competition are: Ten or fewer civilian employees performing the function; where preferential procurement programs are used; or situations where legal restrictions exist on the use of the A-76 process (e.g., research, development, test, and evaluation). In the event an alternative to A-76 seems appropriate to other functions, we will seek enabling legislation. Within the Third Wave planning process, we are defining "divestiture" as terminating the performance of a function where no other public or private entity continues to provide the product or service.

Mr. ABERCROMBIE. Also, could you please tell me how the Army intends to measure any cost savings realized through the Third Wave? Is cost the primary impetus behind the Third Wave? Is this move to shed all non-warfighting functions a result of insufficient manpower in the department? And most important, what is the risk associated with privatizing a majority of your support functions?

Secretary WHITE. The Office of Management and Budget and the Office of the Secretary of Defense establish the policies and procedures for measuring cost savings from A-76. Any cost savings identified within the Third Wave will be identified within the framework of those policies and procedures. The primary objective of the Third Wave is to make sure we are efficiently utilizing our manpower. This is necessary because we are operating within fixed end strength constraints in an environment where there are increasing demands for military capabilities. We cannot afford the luxury of inappropriate or wasteful manpower utilization. We define privatization as transferring government control and ownership of a function to the private sector. Most support functions being considered under the Third Wave are likely to be competed and retain government control and oversight.

Mr. ABERCROMBIE. I would also appreciate some amplifying information on what criteria the Army is using to determine which functions are designed as "non-core" and which of these "non-core" functions gets exempted from the study?

Secretary WHITE. The Army is validating its definitions of core and noncore functions and determining what should be exempted from the Third Wave implementation planning process in the Third Wave exemption process. We earlier provided a copy of the standards of review for the exemption process to Congress. We plan to make available to Congress the results of this exemption process in April.

Mr. ABERCROMBIE. What would you name as your top five unfunded requirements for next fiscal year?

General SHINSEKI. The Army's top priorities are funded in the President's budget submission. While we would like to have funded all of our requirements, we took prudent risk in some areas and additional funding in these areas would allow us to lower that risk. Our top five shortfalls reflect those areas where we have taken the most risk, and if additional funding were available, we would apply them to these areas first.

Our number one shortfall is active duty pay and allowances. This shortage is due to an unforeseeable short-term change in the mix of officer and enlisted soldiers (\$260 million—sub-category AC Pay & Allowances). Number two is chemical demilitarization security. The additional funding allows us to enhance security around chemical weapons and ammunition storage sites (\$71-million sub-category Chemical Demil Band). Number three is anti-terrorism/force protection funding for security guards and equipment on military installations (\$113 million—sub-category Anti Terrorism/Force Protection). Number four is for ammunition and helps fund training ammunition and replacement of expended war and operations ammunition (\$345 million—sub-categories Training/War and Operations Ammunition and Hydra Rockets). The last item in our top five is Flight School XXI, enabling us to better and more rapidly train our helicopter pilots (\$148 million—sub-category TRADOC—Ft Rucker (Flight School XXI)).

Mr. ABERCROMBIE. I would like to know if you can say today what precisely is the mission of the people presently deployed in Colombia, and does that mission now include taking a position with respect to this rebel or combination of rebel movements, and that the United States is now taking a lead position in fighting these rebel movements?

General SHINSEKI. The mission of U.S. Army forces in Colombia directly supports the mission of the Commander, U.S. Southern Command (USSOUTHCOM). The USSOUTHCOM mission in Colombia is not operational; rather, it is to provide training and assistance to the Colombian military and police in order for them to solve internal problems themselves. While USSOUTHCOM may request an expanded operational role in the future, U.S. Army forces only conduct training within certified secure training areas, and under restrictions, to ensure all deployed personnel operate within the prescribed peacetime rules of engagement.

Colombia is on the front line of the war on terrorism in the Western Hemisphere, exceeding the total number of terrorist attacks in all other nations of the world with

an average of four attacks per day. The threat stems from three groups on the State Department list of foreign terrorist organizations: the Revolutionary Armed Forces of Colombia, the National Liberation Army, and the United Self-Defense Forces. U.S. forces provide military support to Colombian forces operating against these groups that directly challenge the legitimate authority of the Colombian Administration.

U.S. Army soldiers deploy to Colombia as part of a joint U.S. military team. They are not taking the lead in combat operations against narco-terrorist groups, nor are they personally standing guard along the Cano-Limon pipeline. Operating in numerous locations throughout the country, our soldiers provide training in light infantry tactics, urban counter-terrorist operations, civil affairs, human rights, flight training, and infrastructure security, to include the protection of Colombian pipelines. USSOUTHCOM augments this training with intelligence and logistics support; however, U.S. Army soldiers are prohibited from accompanying Colombian forces on combat operations.

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. Do you believe that over the water training is a mission critical skill for the Army to retain? Please expand upon its role and importance to the Army.

Secretary WHITE and General SHINSEKI. The Army requires the capability to project forces from a surface fleet through a fixed port, or when required, through a degraded port or across a beach. We did so at Normandy, in the Pacific theater during World War II, in Korea, in Vietnam, during Operation Desert Storm, and in Somalia, Haiti, and Kosovo. This requirement will continue to exist for specific mission scenarios, so the availability of watercraft that allow rapid access to ports will remain a key element in the Army's power projection program. As we transform our warfighting doctrine and equipment, we must also transform how we get to the fight.

Currently, the Army and Navy jointly are reassessing their requirements for over-the-shore capability. Both Services continue to discuss and share information collectively on their programs, to include research and development initiatives. The recent introduction of the Army's first Theater Support Vessel, a high-speed, shallow-draft vessel is a good example of one initiative. During this joint assessment of requirements, emphasis will be placed on the current and future over-the-shore needs of regional combatant commanders within the context of ongoing Department of Defense transformational efforts. Once required capabilities are known, the Army will develop supportable funding profiles for over-the-shore systems of the future.

Ms. DAVIS OF CALIFORNIA. Our National Guard soldiers are being deployed to support homeland security operations under the Department of Homeland Security. It is my understanding that Northern Command (NORTHCOM) would be the troop holder for those soldiers inside the United States. Is this the case? Additionally, will NORTHCOM be a recipient of intelligence information gathered by these soldiers, or will it strictly be stovepiped inside the Department of Homeland Security? Has Army weighed in on this potential problem?

Secretary WHITE and General SHINSEKI. National Guard soldiers can be employed in a state active duty status, under state control, to support homeland security-related requirements. While employed under state control, they are under the control of their respective state governor. Governors can employ National Guard units in a state active duty status without the approval of NORTHCOM.

The Department of Defense (DOD) and NORTHCOM monitor National Guard units being employed under state active duty, but do not exercise command or operational control of those forces. When the Department of Homeland Security or another federal agency requires additional support, it can request support through DOD. DOD forwards approved requests for support and a decision, if appropriate, on mobilization of Reserve Component forces to the appropriate Services and combatant commanders. The forces identified to support the mission could operate under the operational control of a combatant commander based on the location of the activity—either NORTHCOM or U.S. Pacific Command. In some cases, the Army or another Service may retain control of a force that is supporting a federal agency.

The involvement of soldiers in intelligence collection during domestic operations is strictly governed. The use of information collected during the normal course of military operations is codified in Title 10, U.S. Code. Military intelligence soldiers may collect foreign intelligence and counterintelligence and international terrorist information within the United States under some very strict guidelines, as delin-

eated in Executive Order 12333 and DOD 5240.1-R, and always in coordination with the Federal Bureau of Investigation (FBI). The Department of Homeland Security and federal, state, and local law enforcement have the lead on most domestic information gathering related to homeland security, and DOD, NORTHCOM, and the Army participate in information sharing with them. The Army participates in national interagency task forces, and the FBI's Joint Terrorism Task Forces to share information. Within the Army itself, the U.S. Army Criminal Investigation Command has embedded special agents into Army analytical elements to ensure internal information sharing.

MS. DAVIS OF CALIFORNIA. Secretary White, I've noticed inside the Budget Highlights from your Assistant Secretary that there were certain funding spikes for fiscal year 2004 within the National Guard Personnel Account. Specifically, I've also noticed that Education Benefits increased by +54 million, but for only one year, and that the Counterdrug program increases almost +400 million but then drops off the next year. Can you address why these accounts are receiving only a one-year spike in funding?

Secretary WHITE. The funding spike in the fiscal year 2004 National Guard Personnel Account for education benefits happened for two reasons. The Army National Guard for the last two years has worked diligently in their recruiting and retention efforts and has been very successful in those efforts. This causes an increase in the number of soldiers finishing initial entry training. Upon completing training, these soldiers are eligible for educational benefits, specifically the Montgomery GI Bill. The number of soldiers increases 9,754 from fiscal year 2003 to fiscal year 2004. The second reason for the funding increase is the per year amortization payment to the Veterans Administration increase from \$2,882 to \$15,712 in fiscal year 2004. The combination of the increase in soldiers and the increase payment to the Veterans Administration resulted in the spike.

The second part of your question relates to the ARNG Counterdrug Program. This is a year of execution program. Funding is provided by the Congress during the current year appropriation process.

MS. DAVIS OF CALIFORNIA. Secretary White, inside the Assistant Secretary's budget highlights, the Army mentions that it is "dedicated to helping local communities realize rapid re-use of closed bases" (page 31). However, DOD still retains control of about two-thirds of bases already closed by the previous BRAC rounds. What percentage of previously closed BRAC bases is still retained by the Army?

Secretary WHITE. The Army has transferred 67 percent of its closed bases; 33 percent of the closed bases are still pending excess acreage transfer.

MS. DAVIS OF CALIFORNIA. As Chief of Staff, you have the responsibility to train and equip the force. Does the Army foresee a substantial change to the training agenda with respect to the use of artillery and mortars for immediate suppression? I ask this specifically, because it seems the Army is moving toward a system that relies more and more exclusively on precision guided munitions. Programmatically, the Army has done this through restructuring the Crusader and substantively increasing the Precision Guided Mortar Munitions Account. Therefore, I was wondering if the Army will be moving away from traditional immediate suppression missions in the future as a matter of doctrine?

General SHINSEKI. The Army recognizes the value and importance of both precision fires and non-precision fires. The value of precision fires is readily understood in terms of rapid lethality, significant reduction of unintended collateral damage and casualties, and the potential to significantly reduce the logistics burden of ammunition supply—one of the largest tonnage requirements of land forces.

The Objective Force concept envisions reduced need for immediate suppressive fires against enemy forces by achieving greater situational awareness prior to maneuvering the force. Nevertheless, we will never have perfect situational awareness or the ability to locate all enemy forces that threaten our formations. Therefore, we must retain the capability for our indirect fires to conduct immediate suppression missions. Objective Force formations must have an organic ability to deliver destructive, protective, and suppressive fires against point and area targets, in quantity and duration, with precision and non-precision munitions, as well as special munitions, such as obscurants, illumination, and obstacles. Furthermore, it must achieve this with a fully networked architecture. Experimentation and lessons learned highlight the complex nature of warfare and reinforce the critical responsiveness cannons and mortars provide to ground force maneuver commanders.

The Objective Force concept fully addresses the immediacy of employing all types of fires, destructive as well as suppressive, precision, and non-precision. Objective Force concepts envision networked fires as a component of the Battle Command System that links sensors and shooters to compress the timelines of target detection, identification, prioritization, decision, and engagement. We are continuing our devel-

opment and refinement of these requirements based on emerging lessons learned and our own experimentation process.

QUESTIONS SUBMITTED BY MR. LANGEVIN

Mr. LANGEVIN. It has long been known that the Global Positioning System (GPS) is a valuable tool on the modern battlefield. It provides precise positioning and time data to air and ground forces as well as precision-guided munitions. The Army has come to rely heavily on GPS for its maneuver forces and as an input source for its command and control systems, and this reliance has caused adversaries to manufacture and deploy GPS jammers.

The Army has recognized this threat and has installed hybrid navigation systems on several vehicles such as the Bradley Operation Desert Storm (ODS) Fighting Vehicle, Ground Prophet, and many Special Operations vehicles. The Army also reorganized to provide this navigation capability last year by establishing the Office of the Program Manager for Navigation Systems under the Program Executive Officer, IEW&S, at Communications and Electronics Command (CECOM).

The Draft Operational Document (ORD) for the Stryker Family of Vehicles (Revision 1, 1 October 2002) calls for a navigation system (page 26, paragraph 4.4.1.2). To date, we have manufactured several brigades of Stryker vehicles without such a navigation system installed.

I am concerned that if the Stryker brigades are called to active service, they will not only be vulnerable to GPS jamming but also to GPS outages that occur in difficult terrain, especially urban terrain. This vulnerability can be overcome by a low cost navigation system. What is the plan and timeline to fulfill the requirements in the Stryker ORD for a navigation system to be acquired and installed? How can Congress assist the Army in providing this critical technology to our soldiers?

Secretary WHITE and General SHINSEKI. The Army is also concerned about the jamming vulnerability of the current GPS system. An improved GPS is currently in development by the GPS Joint Program Office. This system, known as the Defense Advanced GPS Receiver (DAGR) will reduce the vulnerability to jamming. The current plan is to install the DAGR on the Stryker Family of Vehicles beginning with the fourth Stryker Brigade Combat Team (SBCT). Initial operational capability for this SBCT is scheduled for May 2006. SBCTs 1, 2, and 3 will also be upgraded.

In addition, the Army is an active participant in the DOD-led navigation warfare effort that seeks to mitigate the threat on several levels. The Assistant Secretary of Defense for Command, Control, Communications and Intelligence is leading this effort. The Army has also programmed research and development funding through fiscal year 2006 to pursue solutions to this vulnerability.

The U.S. Air Force's GPS Joint Program Office is developing an improved GPS satellite constellation and ground control network which will provide a significant enhancement in terms of mitigating the threats to GPS from jamming and unintended electromagnetic interference. These enhancements will further improve the ability of the DAGR to receive signals in stressed environments such as urban canyons and extremely mountainous terrain.

The Army will continue to work closely with the Joint Program Office to ensure its requirements are addressed in GPS modernization efforts.

QUESTIONS SUBMITTED BY MR. COOPER

Mr. COOPER. About how many of the 591 U.S. bases would be Army bases?

General SHINSEKI. Installations in Germany are not the same as those in the United States. Installations in the U.S. are generally large, self-contained contiguous areas. Developed like small cities, the soldier generally lives, works, and trains there. However, in Germany, installations are generally small, dispersed real property holdings, managed geographically. This is because the United States occupied existing military facilities in German towns and villages. Few large military installations existed, and the U.S. did not build any.

There are 207 Army installations in Germany, managed geographically by 14 base support battalions, which are considered "parent installations." However, the Army has and is currently taking actions to consolidate its footprint in Germany to reduce the number of installations to the minimum required. Efficient Basing-East will further reduce our footprint by 12 installations.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—ACTING SECRETARY OF THE NAVY; CHIEF OF NAVAL OPERATIONS; COMMANDANT OF THE MARINE CORPS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, February 26, 2003.

The committee met, pursuant to call, at 10:05 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The Committee on Armed Services will come to order. I want to welcome H. T. Johnson for his first appearance before the full committee in his latest capacity. H.T., great to have you with us. And I am also pleased to welcome back Admiral Vernon Clark, the Chief of Naval Operations. And making his first appearance is General Mike Hagee, the 33rd Commandant of the Marine Corps. The committee looks forward to your leadership in the challenging months and years to come, and thank you, General, for being with us today.

Three weeks ago, Secretary Rumsfeld outlined the challenge before us: To win the Global War on Terror, to prepare for threats we will face later this decade and to continue to transform the military for threats we will face in 2010 and beyond. While the current Navy and Marine Corps leadership and the administration more broadly deserve credit for the effort to adequately fund equipment modernization, I am concerned that the force structure and manpower reductions being proposed to finance this effort are not only short-sighted but will lead to an unnecessary reduction in combat power and resultant increase in military risk.

The Navy and Marine Corps' fiscal 2004 budget request is 114.7 billion, an increase of 3.5 billion from last year, but only a 3.1 percent increase overall. And while this budget request makes improvements to pay and quality of life programs, the proposed level of funding to operate, maintain and modernize today's forces is not adequate to sustain the proposed force structure.

The Navy's shipbuilding request of seven ships for fiscal year 2004 is up from five of last year. However, as Secretary Rumsfeld noted, a construction rate of 10 ships per year is required to sustain our 300-ship battle force fleet. Of particular concern is the fact that this budget projects a Navy fleet of 290 ships by 2006, well

below the 310-ship fleet characterized as a modern risk sized fleet in the September 2001 Quadrennial Defense Review.

The Navy and Marine Corps' aircraft procurement account proposes funding approximately 100 new aircraft in fiscal year 2004, an increase of about 15 from last year's projection. To help pay for these new procurements, the budget proposes the integration of Navy and Marine tactical aircraft squadrons. This consolidation is projected to save 975 million over the next 6 years, but would cut the number of fighter aircraft by 497 over this same period, about a 10 percent reduction. Given the Navy and Marine Corps' recent and current high operations tempo, I am concerned that this proposed reduction could place further strain on our people and equipment.

To develop future systems, the budget request adds 476 million for the Department of Navy's research and development account above last year's appropriated level. However, the Navy's advanced submarine technology and land attack technology programs are significantly reduced. Further, for the second year in a row the Navy science and technology program is almost 500 million less than last year's appropriated level.

I look forward to a candid discussion of the risks associated with our readiness, investment, transformation and divestiture strategies in our more detailed subcommittee hearings to follow. Gentlemen, once again thank you very much for being with us today. Thank you for the service you are rendering our country. And I will now recognize the committee's ranking Democrat, Mr. Skelton, the distinguished gentleman from Missouri, for any remarks he would like to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 281.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Thank you very much, Mr. Chairman. I ask unanimous consent to put my statement in the record.

The CHAIRMAN. Without objection.

Mr. SKELTON. Let me welcome Secretary Johnson. I know this is your maiden voyage here before us, and hope we have the opportunity for you to testify many, many times before our committee. And Admiral Clark, it is good to see you and I know in your testimony you will tell us how you are working hard to get more officers to the commanding staff and senior level of officers, professional military education. And General Hagee, I have not yet received your list of required reading books, but I look forward to that.

Chairman Hunter touched on all of my topics. I will not belabor it, but will look forward to working with the Navy and Marine Corps team. We have some serious challenges, the type of ships, number of airplanes, end strength, professional military education, all of that is tied up together, and we hope we can further the team along with the work that we do. We really appreciate it and particularly, Secretary Johnson, we welcome you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 285.]

The CHAIRMAN. I thank my colleague and gentlemen. Without objection, your prepared remarks will be entered into the record. And Mr. Secretary, the floor is yours, sir.

**STATEMENT OF HON. HANSFORD T. JOHNSON, ACTING
SECRETARY OF THE NAVY**

Secretary JOHNSON. Mr. Chairman, members of the committee, it is an honor to appear before you today and update you on your Department of the Navy and discuss our 2004 budget request. Today our Navy and Nation and Marine Corps are well served by the Marines and Navy personnel around the world. This is the most professional and capable naval force in the world. On behalf of every sailor and Marine, we thank you for your support, not only in the budget, but also in your visits and caring about each of our Marines and sailors.

The Navy and Marine Corps forces, along with the Army, Air Force and Coast Guard partners, are on station in every corner of the world taking the fight on Global War on Terrorism to our enemies, deterring aggression against our Nation and our allies, and representing U.S. interests around the world. Today, approximately 60 percent of our ships are underway, including six deployed carrier battle groups, and 63 percent of our Marine operating forces are forward deployed. The Navy-Marine Corps team successes reflect the strong and sustained support by the Congress as well as those on the home front, our dedicated civilian contract employees and the great American mothers, fathers, wives, husbands and children who support the forward-deployed defenders of freedom. We are eternally grateful for the hard work and sacrifices they and all of our supporters are making.

I note from the onset that the cost of operations in support of the Global War on Terrorism and preparations for any contingencies in Iraq are not reflected in our budget request. A supplemental budget request will be necessary. All of our people remain our most precious asset. Our ships, guns, submarines and aircraft have no value without our people.

The 2004 budget sustains tremendous progress we made in personnel and readiness accounts and keeps faith with our people by requesting a targeted pay raise and further reductions of out of pocket expenses for housing. Our recruiting goals are being met and retention remains very, very strong. And so our Navy-Marine Corps team is well trained, highly motivated and ready to meet the calls from our Nation. We must now turn to the challenges of recapitalization and modernization.

Two-thirds of our Department's top line increase is dedicated to increased procurement. As the chairman mentioned, we have been a little behind on procurement and we are trying to move in the proper direction. 11.4 billion is dedicated to shipbuilding, providing for the construction of seven new ships, two nuclear-powered ballistic missile submarines (SSBN) to nuclear-powered guided missile submarine (SSGN) conversions and the first ship of the cruiser conversion program. Shipbuilding, while not at the optimum, as the chairman mentioned, ten ships per year represents a significant increase and is a step in the right direction. I am also pleased to report that the budget funds 100 new aircraft, sustains the V-22 Os-

prey program, which is doing very well in tests, accelerates the development of the Joint Strike Fighter (JSF) and continues procurement of the Advanced Amphibious Assault Vehicle.

Moreover, we are pressing ahead with innovative ways to ensure that we are not locked into purchasing platforms whose electronic sensor and weapon systems are obsolete upon delivery. Instead, we are committing ourselves to avoid preordained obsolescence. Through design of the inextricable combined hull in the past that has gotten us into trouble, we want to go in the future to looking at a ship hull, a sea hull, adding to that the weapons, and we would expect over the life of the hull perhaps several changeout of weapons, and then adding to that the electronics, which will change out almost on a two to three year cycle. This new strategy will allow us to require our systems in the right way and insert them at the right time.

The budget reflects careful balancing of competing demands and risk. Most evident is our decision to accelerate retirement of our old, less capable and more maintenance intensive ships. We are convinced that the near term divestiture is the fastest and most efficient way to recapitalize and modernize and also transform our Navy and Marine Corps, and it will not compromise our ability to accomplish the mission.

In total, the retirement of the legacy systems and application of the transformational business practices will result in savings of \$1.9 billion. More importantly, the budget builds the concept of transformation into our recapitalization and modernization. Transformation is not a piece of equipment, but a continual process that includes everything we do from the way we procure ships, aircraft and weapons, to the way these systems are connected, deployed and operated. This commitment to transformational platforms includes the next generation aircraft carrier, the CVN-21, the DD(X), the centerpiece of the Navy's future family of ships employing spiral development, and the Littoral Combat Ship (LCS), the next member of the family of ships. The LCS will be designed from the outset as a focused mission ship that will use reconfigurable mission modules to counter the most challenging threats and the littorals.

In aviation, we continue to move forward with our Joint Strike Fighter, our Advanced Hawkeye upgrade program. And this year we are introducing the EA-18G, or Growler, to replace the EA-6Bs. ForceNet is the future architecture that will enable netcentric warfare to begin pulling together all of the intelligence and other information.

We made very difficult choices in this budget. We have been careful to craft a budget that sustains advances made in personnel, quality of service readiness, also to balance a risk and divest legacy systems and concepts, and finally to invest in shipbuilding, aircraft procurement and transformational technologies. All of this is to achieve the joint total force that the future demands.

I will be looking forward to working with you and answering any questions you may have. I was in the Persian Gulf last week, as some of you were, and our Marines and sailors are ready to do any mission that our Nation calls on them to do. I am very proud of them and certainly very proud of your role in leading our Nation.

[The prepared statement of Secretary Johnson can be found in the Appendix on page 288.]

The CHAIRMAN. Mr. Secretary, thank you very much. Admiral Clark.

STATEMENT OF ADM. VERNON E. CLARK, CHIEF OF NAVAL OPERATIONS

Admiral CLARK. Thank you, Chairman Hunter, Congressman Skelton, distinguished members of this committee. Good morning and I just want to say at the outset that it is a privilege to be here again appearing before this committee, especially as a member of this Navy-Marine Corps team, and of course I am here today to talk to you about the Navy side of this naval structure.

As has been alluded to already this morning, 51 percent of my fleet is deployed. The rest of the numbers are like this: Of the 308 ships that I have, 197, 64 percent of the Navy, is underway this morning. That extra 13 percent are doing additional training missions and getting ready to do the Nation's bidding. Fifty-one percent of our warships are forward deployed. Of that, 70 percent of our amphibious force is deployed supporting the Marine Corps on the tip, the tip of the spear, and they are taking American sovereignty to the far corners of the Earth, as I like to say it, and they represent ready combat capable power for the joint commander, ready to respond where and when the President directs. In addition to this number, though, we have a large number of sealift ships out there.

You know, a lot of transformation has already taken place in the Navy. Years ago, all of this structure was inside the gray bottoms. This morning, more than 75 percent of that structure is forward deployed, and these include some ships that are leased. A total of 120 additional to those that I already mentioned are moving the Army, moving the support structure for the Air Force and the rest of the service structure to the point. These strategic assets make persistent combat power possible.

I just want to report to you this morning that since 1968, when I joined the Navy, I have never seen the Navy as ready as it is today. It is a capable, persistent combat force. It represents the return on investment that you in the Congress, and speaking for the American people, have made in our readiness, and we are grateful.

I also want to thank you for the exceptional support that you have provided to our sailors, our most cherished resource, the brave men and women that we call upon in this country to represent us in the values that we believe in, and potentially to fight an enemy. Your attention to their pay, to allowances, to housing, to the infrastructure—I like to talk about quality of life, but also quality of work—to the infrastructure—these things have made a tremendous difference in the quality of life for our sailors and their families, and we are today enjoying the best retention and the best manning that I have witnessed in my career. As a result, our ships and squadrons are more responsive and they are able to surge—and this is a key word—to surge forward with the right people with the right skills to the right place and at the right time.

This year more sailors approaching the end of their first enlistment are deciding to stay in the service. This record retention now

continues for the third straight year, and we are taking advantage of this reenlistment behavior to fill gaps in key critical areas; and I have outlined these programs in my written testimony. They are responding to many signals, signals from the Congress, signals from the American people, and I am proud of the way they are responding and representing our Navy.

For the last two and a half years, I have come to this body and I have talked about our focus, and my message hasn't changed this year. It is first to make sure that we are taking care of this precious resource, the men and women who make this possible, the manpower who will be called forward to fight if necessary. They are number one. Number two, making sure that the current readiness is on the mark. The gains that we have realized, I believe, speak for themselves, and I won't go over them in my opening testimony, but I am convinced that we must sustain those gains and then we must move on to the future, and I believe that the gains that we have made allow us to move on to the future in a bold way. We must focus on how to give our joint force commanders the combat power that is going to be required in the next part of the 21st century.

Last spring, I rolled out my vision for the Navy called Sea Power 21. Again, the details are a matter of public record and they are summarized in my written testimony. But in summary, at the heart of Sea Power 21 are three things: First, sea strike, projecting offense; second, sea shield, projecting defense; and third, sea basing, projecting American sovereignty from the sea. So this year's investment strategy continues the commitment to readiness and manpower while building the Navy of tomorrow.

Now I want to highlight just a few platforms and capabilities. Secretary Johnson has mentioned a number. But DD(X) is so important because it is the leader and the heart of our family of ships that will include in the years to come the CG(X) and of course the Littoral Combatant Ship that the Secretary mentioned. LCS is critical to sea shield, designed from the keel up to dominate the battle space in the littorals, built with plug and play technology, conceived with unmanned vehicles as a main battery, unmanned vehicles on the surface, under the surface and in the air, a key part of our new development. EA-18G mentioned, replacing the most expensive airplane operational costs that we fly in our inventory, the Prowler. We need the EA-18G rapidly. CVN-21, the first totally new designed aircraft carrier in 40 years. The Virginia class submarine: This year we make an investment in economic order quantity to achieve a multiyear acquisition strategy that will save the taxpayer millions of dollars and produce the best submarine ever built anywhere in the world. And missile defense, the President's outlined strategy will bring—and the Navy will bring along a strategic capability to protect our homeland and our deployed forces and assure our friends and our allies.

To assist in funding these future capabilities, we are looking hard for efficiencies, Mr. Chairman, and innovative techniques to man and operate our Navy to get as much combat readiness out of every dollar invested. Manning experiments going on today as we speak. Optimal manning going on two cruisers, destroyer, Milius, and the cruiser, Mobile Bay. We will see a decrease in man-

ning I believe by streamlining some things by up to 20 percent. Sea Swap, an experiment that will keep a destroyer forward for 18 months instead of bringing it back and spending half of its deployment in transit, where we have just completed the first swap out of the crew in the western Pacific, flying the crews back and forth. This is an experiment, ways we can extrapolate more utility out of the investment that the Nation has made in our Navy structure.

Navy Marine Corps Tactical Air Support (TacAir), bringing the Navy and Marine Corps team closer together than we have ever been, improving our ability to warfight, getting out of service stovepipes, saving almost a billion dollars in this submission, but frankly, 30-plus billion dollars outside of the Future Year Defense Program (FYDP). I am happy to discuss that as we proceed in testimony.

In summary, your Navy, the Nation's Navy is ready. It is combat ready. It is forward deployed. It is on scene, and we are focusing on the future while we are prepared for today, and the young men and women in your Nation's Navy are serving with great distinction. I thank you for your continued support and for your leadership and I look forward to your questions.

[The prepared statement of Admiral Clark can be found in the Appendix on page 307.]

The CHAIRMAN. Admiral Clark, thank you very much. And General Hagee, we want to welcome you to the committee. And the real reason for your success, your wife Silka, is with us today and we appreciate her being with us.

And with that little morale booster, the floor is yours.

STATEMENT OF GEN. MICHAEL W. HAGEE, COMMANDANT OF THE MARINE CORPS

General HAGEE. Thank you, Mr. Chairman. Congressman Skelton, ladies and gentlemen of the committee, it is an honor for me to be here to represent your Marine Corps, and I would like to thank you very much for your support and the Congress' support that we have enjoyed over the past years. Mr. Skelton, I have the reading list, I am working on that. I hope to publish it shortly, sir.

Like the Secretary, I recently returned from a visit to the Central Command theater of operations, and I can report to you that your Marines are ready, they are well trained, they are well equipped and their morale is unbelievably high. Along with our sister services, the Navy-Marine Corps team continues to play a key role in the Global War on Terrorism and in the establishment of stability and security in many of the world's trouble spots. Marines, both active and reserve, are operating side by side with soldiers, sailors, airmen, non-government organizations (NGO), diplomats and many others in diverse locations around the globe from Afghanistan to the Arabian Gulf, the Horn of Africa, Turkey, the Georgian Republic, Colombia, Guantanamo Bay and the Philippines. Today, Marines are flying from Bagram Airbase in Afghanistan and from Navy carriers at sea and from the bases around the Arabian Gulf.

As the Secretary mentioned, 63 percent of the Marine Corps operating forces are forward deployed and almost 90 percent of our operating forces are either forward deployed, forward stationed or

forward based. Marine Corps operations throughout the past year have highlighted the versatility and utility of our expeditionary forces. Although we have had one of our busiest years in terms of operational deployments, participation in realistic worldwide exercises remain critical to supporting the theater security, cooperation plans, and ensuring that we maintain a ready and capable force. And I can tell you your Marines are ready.

Along with the Navy, we are also moving out with other new organizational concepts mentioned by the Chief of Naval Operations, and these include Naval TacAir integration, carrier and expeditionary strike groups and joint network enhanced sea basing. These concepts will make us more responsive and more effective.

The 2004 budget continues our efforts to modernize and transform the force. Support that you and Congress have provided over the last two years has helped us make real progress in our modernization, transformation, personnel and readiness accounts. Marines and their families have benefitted from targeted pay raises and improved family housing and barracks. Increases in the basic allowances for housing have significantly reduced out of pocket cost of living expenses for our Marines. And regarding transformation and modernization, our top ten Marine Corps ground programs are adequately funded over the near term. Among these are the Advanced Amphibious Assault Vehicle, the High Mobility Artillery Rocket System and the Lightweight 155 Howitzer. On the aviation side we are on track for funding for the V-22, the Joint Strike Fighter, and the four bladed Cobra and Huey upgrades.

Finally, we continue to make needed progress in readiness. Having recently come from the operating forces, I can tell you that there is a marked, positive improvement in the way we are funding for readiness now compared to just a few years ago. My main concern today echoes one of the concerns of the Secretary of Defense and the Secretary of the Navy in that without supplemental funding we are spending tomorrow's dollars today. We are very grateful for the additional funding provided last week in the 2003 Omnibus Appropriations Bill. This funding provides a measure of relief to those programs that were bearing the costs on the Global War on Terrorism. Thank you for your timely action.

That said, our contingency requirements are significant and they greatly exceed the funding provided. We ask for your support and timely passage of the administration's upcoming supplemental request. That concern notwithstanding, we are currently doing what we train to do and we are ready to support the Nation through whatever challenges may lie ahead. We are on solid ground regarding our mission and our direction. We will remain your only sea-based, rotational, truly expeditionary combined armed force ready to answer the call as part of an integrated joint force.

Thank you again on behalf of all Marines for your support, and I look forward to your questions.

[The prepared statement of General Hagee can be found in the Appendix on page 336.]

The CHAIRMAN. General Hagee, thank you very much for your statement and, gentlemen, thank you all for being with us.

Secretary Johnson and Admiral Clark, we are obviously in an operational setting, as I think you have very eloquently described,

with so much of a large percentage of our assets actually operational and moving into theater. We worked over the last several years on munitions, which has been a key concern of this committee and particularly our Tomahawk missiles, precision munitions launched off of our carrier-based aircraft and production of those systems. I would just ask you generally, and I would like to engage maybe the next couple of days—get a few early morning briefings on this, but are you generally satisfied with the production base in terms of munitions right now?

Secretary JOHNSON. In general, we certainly are, sir. We have done a lot since we began in Afghanistan. The Chief of Naval Operations (CNO) will tell you that we have paid back most of the things we had to borrow from the Air Force. We are moving forward. We are bringing in the new Tactical Tomahawk (TACTOM), the new Tomahawk, and we are moving forward with great cooperation from industry.

Could we use more weapons? It depends upon how long and how we fight, but we are well prepared for any fight that comes up.

Admiral CLARK. I second that. Critical things that have happened in the last 18 months or so is the significant investment to improve the capacity in industry to support the growth. And I am confident that you have been a spokesman for this requirement, and so I have to believe that you are happy with what you have seen happen there. We haven't peaked out in production, in all of those production lines yet, but we are close. The Secretary alluded to the kind of cooperation that is going on between us and the Air Force. And, of course, General Hagee and I, we have to watch this closely to make sure we have got the right stuff there.

In an unclassified hearing, I can't give you specifics, but I will tell you this: Two years ago I could not have deployed this force structure that I have out there and been in the green across the board, and that is about as far as I can say, but I am in the green all the way across the board.

Now let us talk about TACTOM a minute. This is a critical issue, I believe, and we need this new development, and we are encouraged by the progress that is being made, but it can't come on line too quickly, and this is going to be a significant improvement in capability. In fact, the production line will be running at nearly full steam by the time this fiscal year that we are discussing today is in play, and the contract will be let in the last half of the year to start moving out in significant numbers.

The CHAIRMAN. Thank you, Admiral. And General Hagee, how are the Marines doing in terms of munitions?

General HAGEE. Sir, I would echo what the CNO said. As far as our munitions in this current operation that is ongoing. We are green across the board. We are fully funded from a training standpoint. Where there are shortages, it is in our war reserve and possibly in our reconstitution.

The CHAIRMAN. Okay. We will work maybe in the coming weeks and do a few early morning meetings and work the industrial base situation, but it sounds like it is a lot better than it has been in the past, and I have seen that the inventories are going up and we are glad they are.

Mr. Skelton.

Mr. SKELTON. Thank you, Mr. Chairman. I have been sitting here thinking how I can delicately raise the issue of Navy end strength. The CNO and I have had this discussion before, but I feel it is important, especially in light of the fact that last year the Marines asked for, and the Congress gave 2,400 additional Marines to their end strength. And I see there is a proposal for a reduction of the end strength based upon the number of ships, as I understand. We have mentioned and talked about that before. I do notice, Admiral, that you are in the process currently of looking at the active reserve mix that you have, and it is also correct that you do have a number of reservists on active duty; am I correct?

Admiral CLARK. That is correct, 6,000 and about 72 this morning.

Mr. SKELTON. About 72, all right. You also mentioned that there is a 51 percent deployment of our force with an additional 13 percent at sea doing training, a total of 64 percent of them out there. I wonder if it is not premature this year to seek an end strength change in light of the fact that we are still—you are still—and hopefully it will come to us studying the reserve active duty mix, through the years—and I know you have noticed this, Admiral—that the other services, all the services down to 1995 sought reduction in end strength because that is 100 cents on the dollar, because you spend it out immediately if you buy a tank, a ship, whatever, airplane. That is about ten cents on the dollar if you happen to cut one of those. So I really question, until this study is done, until we know where we are internationally—I think we have some very dangerous days ahead of us. I hope I am wrong, but I think we have some very dangerous days ahead of us for all services, not just the Navy, and I wonder if we are not premature in raising that issue now. I might say, in 1995 the Army recognized their problem and since that time they have been trying to get additional troops. This committee helped them last year, but it didn't survive the conference. I just hope that your service is not in a similar position that the Army found itself from 1995 to date in which it finds itself. Was that delicate enough?

Admiral CLARK. Yes, sir. And since I did some of my growing up in Missouri, I know we are really in the "show me" mode now. So let me see if I can do that. Right after I became the CNO, I in fact added 4,000 people to my end strength. It was my conviction that we did not have enough people. Today—and you know the budget that is before the Congress today—it is no secret that we started developing this almost two years ago, and so I want to say the ability to predict perfectly how many people we are going to have to have at a given time is very difficult, which is why that the flexibility that the Congress gave the services to go—the old rule used to be plus one, down a half in end strength. And after 9/11, you went to plus 2. And this last year you went to three and zero; up three, down zero. I am allowed roughly 376,000 people in my Navy. This morning, I have 383,115 on active duty. The flexibility that you gave us has made it possible for me to report to you this morning the kind of successful readiness that I am talking about.

Now having said that, when I brought 4,000 extra people, it cost me \$350 million. In addition to that, I am enriching the force and making the force a richer, more experienced force. For example, the top six in people, that is E4 through E9, to enrich that force by one

percentage cost me \$60 million a year. I have enriched that force from 69.9, when I got this job, to this year we are up to almost 73 percent. And my goal is to be at 75 plus by the end of the FYDP, because we didn't have an experienced enough force.

So I am watching these numbers very carefully, and I am very aware of the costs attached to them. When I decommission these ships, I do not want to pay for those people that are in those ships with real jobs, and that is what I am doing. And we can lay out the specifics of every one of these individuals. In the middle of that, I have added back in a number of people in the force protection accounts. So I believe that we are doing this responsibly, but it is of course the responsibility of this body to provide oversight and to make sure we have got it right. And so we would be happy to go through the specific details with you, and I hope we are able to convince you that we have this on the right course.

Mr. SKELTON. Admiral, thank you very much. I won't ask any more questions at this time. But Mr. Secretary, thank you for being with us. And General, thank you.

The CHAIRMAN. The chairman of the Military Construction (MILCON) Readiness Subcommittee, Mr. Hefley.

Mr. HEFLEY. Thank you very much, Mr. Chairman, and Mr. Secretary Johnson, it is wonderful to see you in that position. We have worked with you very closely in your other position and we look forward to working with you here. I have two concerns that I would like to address this morning and one is the age of your airplanes. You know, the carrier onboard delivery CODS, and that is a mundane airplane, but you need it and they break down with some regularity and they are old and maybe you can tell us how old, but your fighter planes—I have been to your depots and I have seen the amazing job that those depot people do at tearing those things down and rebuilding them and making them stay in the air. But there seems to me there has to be a limit. In Stars and Stripes last week, I was reading articles about the F-15 fighter that is being used so much over there now and how it is beginning to show its age because we are using it so much. I would like for you to speak to that. And second, I would like for you to speak a little more—Admiral, you mentioned the Navy-Marine Corps TacAir. And I raised the question last year, and it has been awfully hard for me to understand why—where the Marines are a part of the Navy, why we need a Marine Air Corps and a Navy Corps and what, if any, savings there might be if we just had a Navy Air Corps. The Army—I can see the Marines needing some air power in terms of helicopters and B-22s and things to get you to the battlefield and back out, to get equipment in and out, but in terms of a fighting force, it is hard for me to understand why you need both a Navy and Marine Corps Air Force. The Army doesn't see the need for an Army fighting force. They use the Air Force for that. Why can't the Marines use the Navy for their fighter force? And if that happened would we save money in that when we are talking about transformation? And I will stop there.

The CHAIRMAN. I think you gave them a good one there, Joel. Mr. Hagee will take that question.

Mr. HEFLEY. I noticed the Commandant's eyes were getting wide.

Secretary JOHNSON. First of all, we have made tremendous progress on integrating our tactical aircraft and integrating everything we do between the services. When I was out with Marines they would say we have never been closer to the Navy, and sailors would say the same thing. The Marines have a unique need for closeness with the air. And Admiral Clark is devoting three squadrons to be more focused on the land battle from land aircraft and also direct support of the Marines. So removing that, they will answer a little bit more on that.

General HAGEE. I do feel quite strongly about Marine aviation. You know, I talked about that the Marine Corps is truly the only expeditionary combined arms team that we have, and what makes it a combined arms team is our aviation. We start off—our pilots start off in the basic school. They train to become infantry officers in the basic school. They truly understand the ground outlook. They understand what that infantry officer, what that artillery officer is looking at because they go to school together. And we go to school together not only the basic school, but up through command and staff college and all the way through war college. Unlike in the Army, we have pilots at the Marine Expeditionary Force fully integrated into the staff and at the division. And when we do planning, we do not plan for just the ground attack. We also plan for the air attack. And it is a fully integrated team. The Army and the Air Force at some level have to do the same thing for the close air support, and I would differentiate between a fighter and an attack. What Marine aviation really brings to us is close air support, and close air support is more than just delivering ordnances close to the troops. It is fully integrated into the scheme of maneuver on the ground. And that only comes when you live and work together like we do in the Marine Corps today.

In many ways, Marine aviation is like artillery in the Army. It is our flying artillery and provides that sort of support.

I would like to talk just a little bit about TacAir integration. Under the TacAir integration scheme that we have right now the Marine Corps does not lose any squadrons. Today, we have 14 F-18 squadrons and we have 7 Harrier squadrons, for a total of 21 squadrons. Under TacAir integration we would have 21 squadrons. The significant change would be that instead of having older aircraft, the Hornets and the Harriers, we would have the Joint Strike Fighter, a much more capable aircraft, which allows us to reduce the number of Hornets around 12 that we have in each one of our Hornet squadrons and the number of Harriers that we have in our Harrier squadrons, which is around 15, to get the same if not better capability.

Another key point on TacAir integration is level readiness funding, and the Navy is committed to that, so when the squadrons come back off a deployment on board ship they don't go down into the so-called bathtub, but they have enough money to maintain their readiness when they are not deployed on board the aircraft carriers.

Admiral CLARK. Let me start off with the age of aircraft. You are exactly right. My tactical fighting force is too old, which is why we are pressing on two points. We got 42 F-18E and E and Fs in our budget and we are going to replace squadrons one for one with the

F-14 and get the F-14 out of the inventories as rapidly as we can. Because the F-18E and F is a much better, more capable long-legged airplane, it can also carry more fuel and can fulfill the refueling function. I am also going to get rid of the S-3s, which are very old. In this process we will dramatically change what the age curves are in the tactical Air Force. Let me give you an example. This F-18E and F will cost a third or, if you reverse it around the other way, the F-14 costs 350 percent as much to operate as an E and F will. I need to get there rapidly because the cost of operating this force is not going up in a nice line like this. It is going up geometrically because of age.

Now my research shows me that that happens in all of aviation, including commercial aviation. So we are going to replace that as rapidly as we can. JSF is on the horizon. The Commandant—I don't think I can add to anything to what he has said about the Marine Corps requirement for air. Let me add this about integration.

When I was very interested in bringing the Navy and Marine Corps team closer together, and I remember the moment when the Commandant and I, his predecessor, were sitting there—and this was a tough one, because this has incredible cultural ties deep into our services—and we in effect hired an outside negotiator to come help us work through this. Was there a way we could produce more combat capability? And the reality was my airplanes were stovepiped in my end of the business. The Marines' airplanes were stovepiped in their end of the business. When we took down the stovepipes and reached across to integrate, we could surge more combat capability to the fight in every category except one, which was about even, and it became clear to us that this was something we needed to do for the Nation. And so this Navy-Marine Corps integration, I view this as step one for us.

The statement made by the Secretary, the tone between the Navy and Marine Corps, we have never been closer. We are both members of the Naval service, but our cooperation and code development, our strategies for the future and our intentions for the future, the Navy-Marine Corps team is strong and we call it the power of teamwork and we think we have got this one right, Congressman.

The CHAIRMAN. I thank the gentleman. The distinguished gentleman from Texas, Mr. Ortiz.

Mr. ORTIZ. Thank you, Mr. Chairman. I agree and I am sorry, you have to bear with me. I had throat surgery. But talking about airplanes, I think we need to do something with the T-45s. I see that you are putting some money in there to buy some new ones, but I think that the training fighters are becoming obsolete.

But going back to another issue is that last year the press authorization conference reported expressed concerns regarding Navy's oversight of its countermeasures program and significant changes to the program subsequent to certification by Under Secretary of Defense Aldrich. Recent articles cite insufficient funding and production capacity, not technical difficulties, as reasons for the Navy's inability to implement its countermeasure systems on schedule. Even though the Littoral Combat Ship will include a modular mine countermeasures capability, it will not go into serv-

ice until very late in the decade. In the meantime, what is the Navy doing near-term to address the shortfall in organic and dedicated mine countermeasure capability that will allow the fleet to operate in the littoral? Can you maybe give me a little explanation on that?

Secretary JOHNSON. In general, we are trying very, very hard to keep our aircraft updated. Of course, we have to make priorities at times. Interestingly, we received a committee's report—committee we set up—on how we do ship maintenance. And the number one suggestion was have a good schedule; when the ship is supposed to go in, don't let anybody, the CNO or anyone else, change it, and now we have a great buildup. So we cannot have the smoothness in the maintenance schedules that we like. And when the current increase is over, we will have a backlog of maintenance. We worked that very, very hard in every way possible. I will let Admiral Clark talk about the mine ships. But in the LCS we are going into a whole new concept and it is phenomenal.

Admiral CLARK. Congressman, if you look at our plan we actually have almost a half a billion dollars more in the mine warfare than we did when we brought the proposal forward last year. But you are looking at a CNO who is committed to the mine warfare business and I hope it shows in this regard. And the reason that I believe so strongly in the Littoral Combatant Ship is that we have talked about organic, but I look at the world we are facing in the future and we are proceeding with the 2005 goal to have mine warfare embedded organic into a battle group. We haven't stopped that. But here is my conviction. The complexity of warfare and the demand on those other assets is going to just become more complex—missile defense requirements, specific stationing requirements to take care of the other warfare areas. And I became convinced that if we did not have a platform that was committed to dominating the battle space in the littoral, we were not going to get this done correctly, and that is one of the reasons LCS is so important. The remote mine hunting vehicle, the unmanned underwater vehicle—I was in Panama City just a few weeks ago—that is under development and will come to production in 2005. That vehicle will become extremely important to us in the future. And my conviction was this: We were going to have one of those on a ship. With LCS I envision we will have four or five on a ship and we will be able to really dominate the battle space organically. And I do want to say also, our mine warfare structure is performing well today. We have some of that as forward deployed also, and we have deployed additional assets. And one of the things that we have done and we made the mine warfare a key part of our experimental program with High Speed Vessel (HSV)—the HSV lease is coming on-line this summer. So I am encouraged about the progress that we are making, but I believe that LCS is the key breakthrough vehicle that will give us the kind—not just the impetus, but the platform and the concept to the plug and play modules that will give us the breakthroughs we need in mine warfare.

Mr. ORTIZ. We appreciate your support and the experiences we have. All it takes is a \$1,500 mine to put millions of damages into our fleet.

And I would like to submit other questions for the record, Mr. Chairman. Thank you so much.

The CHAIRMAN. Without objection, Mr. Ortiz.

And the gentleman who is the chairman of the Subcommittee on Terrorism and Unconventional Warfare, Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman. Mr. Secretary, Admiral and General, thank you for being with us this morning. The chairman mentioned that I have got this new job that has been a challenge in terms of the learning curve involved, and I have spent the better part of the last four months trying to get up to speed on the subjects involved in the Global War on Terrorism, and it has taken me to many parts of the country, and I have learned some fairly interesting things. And one of those things is that our enemy is now pretty mobile, and it seems to me that the Navy and the Marine Corps have a very significant role to play in finding out where these guys are and getting to them.

I am wondering if the littoral ship program, the LCS, may have a significant role to play in helping us identify the bad guys, in getting to the fight perhaps more quickly than we can as the way we are currently configured.

Second, there has been discussion among you this morning about the unique cultures of the Navy and the Marine Corps. One of the things that I have discovered is that there is a truly unique culture among the Special Operations Forces (SOF). They train for a different fight, they live for a different fight, they understand a different kind of combat, and they train for that, and they develop a mindset that is oriented in that direction.

I am aware that the Marine Corps, Mr. Secretary, is currently developing new teams to join up with the SOF forces, and my question is—and, of course, this will be to General Hagee—my question is, with the uniqueness of the Marine Corps culture, which is a great culture, I have learned a little bit about it recently, too, since my nephew is a brand new Marine, with a uniqueness of the Marine Corps culture and the different uniqueness, if you will, of the SOF force culture, how do you see all that coming together in terms of two different cultures working together in bringing about this additional capability that we are going to provide for SOF through the use of Marine Corps? Mr. Secretary.

Secretary JOHNSON. In an overall context we are the ultimate defenders of the homeland, of course, but we have worked very closely with the Coast Guard and still do. The LCS ship will certainly add to that. And General Hagee and his predecessor have gone a long ways to integrating some of the Marine activities with the special ops, but they have been in that business, the Marines have, since they began.

And, General Hagee.

General HAGEE. Congressman, I would like to address the first part of your first question a little bit first. I will let Admiral Clark talk about the Littoral Combat Ship, which I strongly support. And I think that your comments about how naval expeditionary forces might be used in the war on terrorism are absolutely right on.

I mentioned the Expeditionary Strike Groups in my opening statement, and both Admiral Clark and I have talked about Sea Basing, this joint network enhanced Sea Basing. And you could

take an Expeditionary Strike Group, which might be composed of some littoral combat ships, and that could very well be the first force on station. If you get some intelligence that there are terrorists or terrorist groups out there, that is a forward-deployed force that could be on station to establish that initial contact.

SOF could come in and either deploy from there or deploy through that Expeditionary Strike group. And as more assets come in, you start building up your sea base that you can prosecute any actions in that sea base. When you are finished, that sea base dissolves, redeploys, and goes wherever it is needed.

So I think the littoral combat ship, which is the platform, as part of Sea Basing or joint network enhanced sea base, as a concept is something that we can use in the Global War on Terrorism.

As far as the Marine Corps relationship with SOF—and incidentally, I just met with General Holland yesterday evening. We are very—we are working very hard to bring our forces closer together. We have capabilities that SOF can use. For example, right now we have about 45 Marines in the Republic of Georgia doing a train and equip, training several of the Georgia battalions. This is something that SOF used to do. They did not have sufficient forces to do it. We raised our hand, we said we could do it, and we have moved in there.

Another example might be like the JTF off of the Horn of Africa, which I am sure that have you read about. We are currently providing that command element. SOF could have provided that command element.

Another way where we bring our capabilities to help out SOF, as you already mentioned, we are training up a platoon to work with SOF. They will stand up this October, and they will deploy with SOF next year.

Mr. SAXTON. Thank you.

Admiral CLARK. I will just comment that a key element of LCS, my belief is that to defeat—we operate from the maritime domain, the international space, and to win the Global War on Terrorism, his forces and my forces have got to be out and about. They have to wonder—the enemy has to wonder where it is coming from next. That is one of the real strengths that the naval structure brings. LCS has to be built in a way that it moves rapidly between places. It has to be quick. Now, I have been careful not to say exactly how fast it needs to go, but it needs to go near 50, and when you look at your ability to reach areas as opposed to slower-speed opportunities, this is a key issue. And I believe that—a key capability for the ship.

Here is what I believe: That when you look at the plug-and-play kind of architecture we are developing here, it is very possible that we will find—that the SOF guys will find a role where they want part of that platform to operate from.

So I align myself completely with General Hagee's comments, and I believe that the potential for this ship and helping us dominate the near-land area is tremendous.

Mr. SAXTON. Thank you. I am out of time. I have had one other burning issue which I will submit in writing. It has to do with the future evolution of SPY II and Aegis. Inasmuch as our guided missile destroyers DDGs are going to be on the water for decades to

come, the threat will change, and we want to make sure that we are paying attention to development of the system. So we will talk about that later. Thank you.

Admiral CLARK. We are aligned completely on that, sir.

The CHAIRMAN. I thank the gentleman.

The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman. I want to thank all three of you gentlemen for being here today.

Admiral Clark, I am curious, how many Landing Helicopter Docks (LHD) do you have in the fleet right now?

Admiral CLARK. What do we have, three, four?

Mr. TAYLOR. I hope you have more than that, because five of them are deployed.

Admiral CLARK. Ds. We have Landing Helicopter Assault Ships (LHA) and Ds. As I said, 70 percent of that structure is deployed. We have a total of eight. Some of them are LHAs.

Mr. TAYLOR. My point is two, three, four, five and six are underway right now. You have in this year's budget request incremental funding for eight. That leads me to believe—I can't remember if seven has been finished yet.

Admiral CLARK. That is correct.

Mr. TAYLOR. I would think it would stand to reason if you only have six, and five are at sea, it might make sense to try to move that forward and get number eight out to sea.

Admiral CLARK. Well—

Mr. TAYLOR. This is obviously a platform that is being used. You and General Clark gave an excellent presentation last spring about the rise of nationalism around the world, nations not making their bases available to us. I think it stands to reason maybe we ought to go ahead and finish this ship.

Admiral CLARK. We have 12 big decks, As and Ds. The next ship coming down the line is, in fact, designed and intended to replace the first LHA, which is reaching the end of its service life.

Mr. TAYLOR. Okay. How much money do you have this year to finish LHD-8?

Admiral CLARK. I don't have the number in front of me. I will be happy to get it for you. But it has been incrementally funded across the Future Year Defense Program (FYDP).

Mr. TAYLOR. Second question, I doubt you have it at your hands, I remember during the last Gulf War we had to go out and charter about 85 foreign flight vessels to equip our troops. We did build the medium-speed, and we are still building some of them to make up for that shortfall. Could you get back to us on what we have had to go out and charter as far as foreign vessels at this time?

Admiral CLARK. I gave you a number better than 120 vessels out there. A number of them are charter vessels. I will tell you all of the Large Medium-Speed Roll-On/Roll-Off (LMSR) are deployed except one. And the 122, I do not know that mix. I will get it for you.

[The information referred to can be found in the Appendix beginning on page 366.]

Mr. TAYLOR. Third thing, there seems to be different arguments, and I am very much in support of the Littoral Combat Ship. I have given you a hard time every time that you have come before in committee about the fleet shrinking. I hope that will suffice.

Admiral CLARK. Yes, sir.

Mr. TAYLOR. But the world is not getting smaller, as we both know. I do think that a short-term fix, it is not a solution, but a short-term fix is the Littoral Combat Ship. There are two schools of thought on that. One is that a twin-hull platform gives greater stability; the drawback, I am told that it has a much greater radar signature than a single-hulled platform that could be built out of composites; that would be designed to minimize that. What are your thoughts on the comparative advantages of the two?

Admiral CLARK. Well, I believe that you have to look at the technical issues that you face, and you know how important this is because, as we have talked about, we are in this family of ships, and DD(X), one of the things I have talked to you about before is that we are reaching for the lowest radar signature cross-section that we can get. For example, DD(X) is going to have a radar cross-section something like a patrol boat or fishing boat. It is going to be significantly reduced.

We have to make trade—there will be competing designs. And, by the way, the next phase of the industry is working this for us, we have a half dozen contractors working this next phase of the design force as we speak. They are due back in to us late this spring, early summer. And what we have to do is make the trade-offs between those kinds of issues. Radar cross-section is a significant issue, and so is speed. So we will have to—we will be looking for the best combination that we can get that will allow us to achieve the mission that we are talking about to dominate the near land space.

Mr. TAYLOR. In your opinion has the Navy fallen into one camp or the other, the single hull versus the twin hull?

Admiral CLARK. I am not aware of it. I am not the decisionmaker for it. The acquisition executive by law is prescribed to make that decision. But we are not anywhere near the point to be making an assessment yet. I have been very—I don't know if this has been obvious or not, but as I have talked about LCS, I have been very careful not to specify a hull form. I want science to compete. I want the best we can get. And I want to introduce it as rapidly as possible.

It is my firm conviction that we desperately need this platform as quickly as we can get it because that is where I think future enemies are going to come after us. So if there is a bias toward a monohulled to catamaran to that kind of approach, I am not aware of it.

Mr. TAYLOR. General, welcome to your first hearing, and, Secretary Johnson, welcome also. I am afraid my time is up.

The CHAIRMAN. I thank the gentleman for his question.

The gentleman who is the chairman of the Subcommittee on Projection Forces and the gentleman from Maryland, Mr. Bartlett.

Mr. BARTLETT. Thank you, gentlemen, for your service to your country and your testimony.

For more than a decade now we have had inadequate funding of our military. There have been a number of consequences of that. One is that some corners have been cut in procurement, and one of those corners that has been cut is that I understand that for many, most indeed, of our weapons systems, for a better part of the

decade now we have waived both Electro-Magnetic Pulse (EMP) hardening and chemical hardening. This is a new and evolving world, and North Korea has missiles, and Saddam Hussein would like to have them, and there are probably a half a dozen countries that have the capability of producing nuclear weapons if they wish.

And so my question is how much of your ability to warfight, which—a phrase that you used, Admiral, in your testimony—how much of your ability to warfight will remain after a robust EMP laydown?

Secretary JOHNSON. Certainly EMP and chemical hardening also is always of great interest to us. We considered that in all of our designs.

Mr. BARTLETT. But you have been waiving it in most of your new procurements.

Secretary JOHNSON. But it is still considered in the design. We don't necessarily go as far as some would like. But it is a balance between the design of the system and protecting against chemical and EMP-type activities.

Mr. BARTLETT. I understand that you can get about five to ten percent more weapons systems if you don't EMP harden. But if when you really need these systems, fighting a sophisticated enemy, and one of the first things that he is going to do is an EMP laydown, because there is no way that they could use a nuclear weapon with such devastating effects on our military as an EMP laydown. Blowing up a carrier or two would have nowhere near the effect of an EMP laydown over the battle station. I am just concerned that we are opening ourselves up to a low probability but very high-risk eventuality when we have waived and continue to waive EMP hardening.

Secretary JOHNSON. Yes, sir, I understand. And we will continue to try to find the right balance. I don't know.

Admiral CLARK. I would just offer this: I align myself with the Secretary's comments completely. Nobody would intentionally design any kind of a combat platform that would be easily defeated. I mean, I can't imagine anybody doing that if there is a way to—if there is a way in the balance of investment and capabilities to get better capability, anybody that is going to send men and women from a Nation into war I believe would make that choice.

Here is what I would propose: I would propose that we bring forward to you the laydown on our latest designs in the new platforms that we are building and show you where the trade-offs are and let you see the numbers that we see and see our impression of the trade-offs and why we have come down and where we are in the design issues.

Mr. BARTLETT. I understand it is clearly a trade-off. You make a decision whether five to ten percent more weapons systems is a better investment than having weapons systems that will survive an EMP laydown, and since nobody has a crystal ball and can predict the future, you never know what the fight threats are going to be. I am just concerned that if those future threats include the possibility, and they certainly do have a robust EMP laydown, that we need to have weapon systems that will be available after an EMP laydown.

One other quick question. And in this evolving world with all kinds of new threats, we are now concerned about such things as a swarming large number of very small, very fast boats. We are concerned about wave-top supersonic cruise missiles and submarines. Now, I understand that the Russians can move a submarine from Russia to off the coast of Georgia, and if they travel slowly and deep, we cannot see them. And now both we and others are developing Unmanned Underwater Vehicles (UUV). And my question is, in the design of our new weapons systems, and in planning for warfight, do you think that we are giving adequate consideration to these kinds of threats and our ability to counter them?

Secretary JOHNSON. We certainly are looking at all of those. And some of you will know that we are trying to get better sonar for some of the reasons you talked about, the subs moving. As we design our new systems and make them better in every way, we have to look at what the enemy is doing also, and we continue, again, to seek that balance. I am not sure we can ever fix any eventuality in the technology world, but I think we are leading the world; I know we are. And we have to worry about what others can do.

We have a program called Surveillance Towed Array Sensor System (SURTASS) Low Frequency Array (LFA), that we are trying to test, and this detects the quiet diesel submarines. North Korea has them, France and others.

You are absolutely right, sir, we have to continue to do the things that close the gaps in areas where it might be vulnerable.

Mr. BARTLETT. There is a limit to what we can discuss in open session in these areas. I look forward to continuing this in closed session where we can be more definitive. Thank you very much.

The CHAIRMAN. I thank the gentleman, and I think we have got some good material for one of our 8:00 o'clock informal briefings, and I look forward to answering that with you on these issues.

The gentlelady from San Diego, Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman.

I want to welcome all of you here today, especially General Hagee, Mr. Johnson, in your first appearance, I am sure, of many. And I know, General Hagee, that they miss you at Camp Pendleton and send their regards.

Mr. Johnson, I wanted to thank you as well for helping with the veterans cemetery at Miramar. The community is very excited about that change.

Secretary Johnson, we have talked a little bit about technology here today, but I wonder if you could update me with respect to the Navy's plan on the Navy Fires Network (NFN) and whether or not the Navy is intending to sole-source the technology for this, and if you have a sense of what is going into that decision? That is basically, I think, the connecting electronically the systems, the infrastructure.

Secretary JOHNSON. We continue to try to connect all of our systems, and I will ask Admiral Clark, who probably has more detail on that specific system.

Admiral CLARK. I am not in the acquisition side of this, and honestly, Congressman, I don't know about the sole-source issue. Here is what I will tell you is what we are trying to do. We believe that the NFN has great potential for us in the future. And, actually, we

are now reaching out to the Air Force to try to team with them. What our conviction is is that this is one of those programs that we need to do jointly. This is—you know, we talk about the enemy's asymmetric advantage. This is ours. This is the capability that the United States of America has: To field high-tech capability, and so we are reaching for it.

I am unaware of the specifics of anything about the sourcing of this. I would be happy to provide that for the record, if I might.

Ms. DAVIS OF CALIFORNIA. Great. I think what is interesting is what goes into that decisionmaking, and are all the players at the table as we do that. That would be of interest.

Secretary JOHNSON. In general we have competition in all cases unless there is some reason why there is no competition or other reasons not to. We support competition, and the Nation gains from that immensely.

Ms. DAVIS OF CALIFORNIA. I support the detail that you provided us today, particularly in some of the background material, and I think it is impressive that we are saving dollars as well as spending them in areas that are of importance.

I don't know that you can necessarily answer this now, but perhaps could you get us the answer. In terms of the tooth-to-tail ratio and the dollars that are going to our force versus, of course, the administration and other needs, how is that changing? Are you—is it something that you watch and monitor, and particularly now, of course, as we know we are going to have additional expenditures down the line?

Secretary JOHNSON. I will defer to my military partners here, but tooth-to-tail is something that is more difficult to define nowadays. It is ambiguous. If you don't have this what might be called tail, the tooth is no good. So I don't think we use that division line because it is so blurry.

But we are concerned about the support of the equipment we move forward, and there are cases when we move forward, we have to take it with us, there is not necessarily a line, although the transportation line is always there to refurbish.

But perhaps—

Admiral CLARK. I am pleased to address that question because I do believe it is one of the really very good news stories. And the Secretary has it exactly right, we don't kind of stack it up like that. But I remember early in my tour, I was talking about this issue, and in the last 3 years we have added \$6.2 billion to the readiness accounts. That is one of the reasons why we are having the success that we are having today. That has changed the tooth-to-tail ratio, if you count it in some sort of puristic sense of the cost of operating costs only against the total budget. All this has changed that ratio by several points.

The key is that when you talk—and you mentioned the savings. A key part of Sea Power 21 for us is this: The Congress, the taxpayers are committing resources to its military, and our byline has become this: It has to be good for the taxpayer, and it has to be good for sailors. And so we are challenging our Navy, everywhere we turn, to—and to teach us to be more fiscally smart so that—and our whole goal is to divert those resources into recapitalization and into transformation. And so a key part of Sea Power 21 is this

thing that I call Sea Enterprise. I have assigned the highest ranking officer I know in my Navy to lead this effort, and he is a four-star admiral, and he is my vice chief. So we are going after this with everything that we know how to do.

My hope is that when I come back here next year—this year we have diverted \$1.9 billion into acquisition. My hope is that next year it will be more resources. But I am convinced that the shape of this is going to become more difficult and more complex. Let me give you an example.

Ms. DAVIS OF CALIFORNIA. I was going to ask if you could identify the most frustrating part of that.

Admiral CLARK. The inability to close things that I would like to go after; and, number two, the inability for me to determine what the real cost of operations of something is. Part of a Navy-Marine Corps Internet is putting us on a footing that we are going to be able to get the kind of cost data that if I was a Fortune 500 company, that I could operate the way they do. I've got to have real-time cost data to make the kind of decisions to really harvest the savings. That is our objective, and that is where we are trying to go, Congresswoman.

Ms. DAVIS OF CALIFORNIA. Thank you.

General HAGEE. I align myself completely with what the Admiral said. On today's battlefield it is really quite difficult to draw a bright shining line between tooth and tail. When I was out at I Marine Expeditionary Force (MEF), we considered everyone inside the Beltway part of the tail. Everyone else was the tooth. As the Commanding General of the First Marine Expeditionary Force, to be quite honest with you, Congresswoman, the tactics were easy. The logistics, which is normally considered tail, that was the hard part and really the important part, the sustainment.

Another example would be during operations in Afghanistan we used the Marine Corps intelligence activity located in Quantico, Virginia, to process intelligence and then shove it out to the battlefield. And they are in a hard facility in Quantico, Virginia. Is that tail, or is that tooth? Very difficult.

But what I would like to do is take that question and do our best to provide you a thoughtful answer.

[The information referred to can be found in the Appendix beginning on page 369.]

Ms. DAVIS OF CALIFORNIA. Thank you. Thank you for being here.

The CHAIRMAN. I thank the gentlelady.

The gentleman from Nevada, Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

And Secretary Johnson, welcome. Your first time here has been very impressive.

Admiral Clark, thank you.

And General Hagee, as well, thank you for your service to our country.

Admiral Clark. I would like to start with you, and first let me say thank you for the kind letter you sent to Senator Lawrence Jacobson in the State of Nevada for his service in World War II. It was greatly appreciated and was very helpful for his retirement.

I had a question with regard to the vision you may have with regard to the intelligence portion of our new strategic-type forces. In

other words, if we are going to have a more mobile, more expeditionary-type force, which the Navy has included, obviously if you have a smaller-type entity, you need greater intelligence. The great problem I see right now is that the career progression path for intelligence officers who are in the human intelligence (HUMINT) side of it requires them to be there a very short time in order to be competitive in promotional grade with other fleet officers. So they go into that category for a very short period of time, barely get to be proficient, and they are pulled out and required to be in a service that allows them to be competitive in the range promotion structure.

What is your vision for changing this capability so that there is a career progression path within the intelligence field so that we can have longer-term intelligence-type officers serving in Department of Homeland Security (DHS) capabilities?

Admiral CLARK. That is a great question, and I would go at it like this: We haven't talked about this at all today, but my conviction, one of the things—part of Sea Power 21, our vision of the future is this thing I call Sea Warrior. I believe that we have to challenge every assumption we have made about the way we grow and develop people. That is my conviction. Part of that, then, is the challenge to challenge the process, and you have described the movement between stations, duty stations. All of these are growth opportunities; thus, they become pieces of an individual's potential. The potential to grow is tied to the assignments that you have.

We are literally in the process of challenging all of this, and, in fact, have put together an entire new structure in our Navy to go after creating the 21st century warrior. This particular—the issue you have described has not been brought to my attention, but it is symptomatic of the challenges that we have throughout our development structure. I will tell you that what we are doing is that we are creating across our Navy a series of development centers to focus on specific technical areas of human development, and I believe that the output of this is going to radically transform the way we grow and develop people. Starts in Pensacola, Florida, where our headquarters is, and we have created the first five of these centers which have stood up, and we are going to end up with about 12 of them throughout the United States. And we are going to make an investment in the type of specialty people that we haven't had in our Navy in developing the human resource.

The problem that you raise here is one that has to be addressed. What really has to be addressed is what is the best methodology to create this growth process and create the growth environment for the individuals. I can't define the best one for an intel officer sitting here across the witness table, but it is exactly the kind of thing that we are taking on.

Mr. GIBBONS. One of the big issues, of course, is the retirement retention of qualified individuals to be out there in a very specific, very technically difficult arena, and that is gathering human intelligence across the world for our military, because you as a commander of the Navy require the best intelligence when you send your troops to war. The only way you are going to get the best intelligence is to have the best qualified people out there. But the current system, the personnel system requires them to leave that

structure, to leave that environment, come back and become a captain on a ship in order to be in the promotional range, O-6, O-7 and above.

I would hope that we look and review that area for a specific opportunity to have a career progression that allows for these officers who choose that field to become good at it and be able to stay there and have a competitive status with other officers in the Navy.

Admiral CLARK. If you would allow me, I would like to submit to you a follow-up on that, the specifics that you have addressed.

Mr. GIBBONS. I would like that.

[The information referred to can be found in the Appendix beginning on page 368.]

Mr. GIBBONS. I did have a question for General Hagee with regard to the Joint Strike Fighter, the short take-off and vertical landing capability variant with regard to the AV-8 and its retirement age. I will submit that.

The CHAIRMAN. He is smooth, isn't he? I think he just asked the question.

Go ahead, General Hagee.

Mr. GIBBONS. Well—

General HAGEE. I will be glad to take that for the record, sir.

Mr. GIBBONS. It deals with the FYDP. I will submit that for the record.

General HAGEE. All right, sir.

The CHAIRMAN. You asked the question. Let's hear General Hagee's response here. I like talent when I see it.

Mr. GIBBONS. I didn't finish the question. Does the current future year defense plan allow for convenient conversion of AV-8 to the Joint Strike Fighter knowing the retirement age of the AV-8 and the Harrier is very limited, difficult to extend, and whether or not you are going to be able to replace the Joint Strike Fighter short take-off and vertical landing capability with it?

General HAGEE. Congressman, the simple answer to that question is, yes, sir, it does. We believe that we can maintain the Harrier until such time as we transition to the Joint Strike Fighter.

The CHAIRMAN. I thank the gentleman.

And the gentleman from Washington, Mr. Larsen.

Mr. LARSEN OF WASHINGTON. Thank you, Mr. Chairman. And I want to thank the panel for coming today and letting us know what is going on in our Navy-Marine Corps.

A couple of comments and a couple of questions. First off, I want to let the Admiral know that the Shoup, I made it through its post-shakedown availability in Everett. By all accounts it went very well, and the community is very welcoming of the Shoup, and they are looking forward next year, as well, to the Momsen coming to Everett as well. There is a lot of excitement about the Momsen.

Second thing I want to point out to the committee is that last year there was an issue of operation maintenance of the EA-6B Prowler. In the last session of Congress, this Congress took many key steps to ensure that the Prowler could keep flying. And it is important, obviously, not only for our military capability, but it was important as well for the men and women who serve, both who fly the Prowlers as well as serve in the maintenance capacity for the Prowlers. They are very pleased that Congress stepped up to recog-

nize the need. And I am pleased to see that there is some initial dollars in this budget for the follow-on platform of the EA-18G, because the Prowler is the foundation of our joint electronic attack capability.

The question I have is with regards to that, I notice in the testimony is that the follow-on replacement for the Marine Corps seems to be taking place a couple of years later than the replacement for the Navy. And if you could help me out with that, why the difference in that replacement time, and whether or not that is—you know, does that—if it is a problem for the Navy in terms of keeping the Prowlers flying, doesn't it equate to a problem for the Marine Corps, as well?

Admiral CLARK. JSF is out there. And the Marines—you know, I remember when I got this job, they said JSF is out there, where are you going to be on it? I said I want JSF as fast as we can get it. Same reason I decided earlier on cost of operation—where we are in the operating curve here. All the decisions haven't been made, frankly, for that period. We have moved the EA-18G, we are talking about three, four years to the left. This is a significant move and change in our acquisition strategy.

And so what I would—I think we are still—the jury is out on how we are going to do the back end of this transition. We have to do more analysis to see how we can sustain the structure and what the right transition period.

I turn it over to General Hagee for any other comments he might have.

General HAGEE. We intend to transition somewhere around fiscal year 2011, 2012. Our four squadrons will be the last four to transition. We believe with the support of the Congress and the less stress that the Prowler, the Marine Prowler, experiences than the Navy Prowler, that we can maintain our aircraft until that time.

We have not decided what replacement we want. We will make that decision in the next couple of years. We fully support the direction in which the Navy is going with the Prowler. We want to see what the possibility is with the Joint Strike Fighter or with possibly an unmanned electronic bird.

Admiral CLARK. If I can add, a key thing in the acquisition strategy is this: We need a common electronic attack piece so we can put it where we need to put it, because this involves the United States Air Force also. That is the direction, and that is where we are trying to go.

Mr. LARSEN OF WASHINGTON. And this is my second question, which has to do with the Reserves, and as much as I am not an expert on electronic warfare, I am certainly not an expert on Reserves. I am a Member of Congress, and there is a space between those two things, so I am trying to understand exactly how this is going to play out.

Everything you have noted today has to do with how we are going to protect U.S. interests into the 21st century. The bottom line—one of the bottom lines on that is being as many places as possible for as long as possible. And this means a lot of ships; that means a lot of people out of this country on deployment. The budget envisions end strength on Reserves and, frankly, on Active Duty a drop in 1,900 this year, presumably additional decreases in the

outyears. What kind of thinking are you all going through in terms of, you know, balancing that increased operational tempo with decreasing Reserves, who are there for many reasons, including to backfill in force protection and so on? Where are we going to be five years from now? Are we going to be here saying we need to do something to build the Reserves back up and the Active Duty back up? If you could focus on Reserves.

Secretary JOHNSON. We are very proud of our total force, the Active and Reserve. We want to make sure we have the right balance between the Active and Reserve. If we have a continuing need, it needs to be in the Active force. We have called on the Reserve forces perhaps more than we ever realized we would and found a very willing partner, but I know the Navy and Marine Corps have brought some things back into the Active because we need them on a continuing basis. We have a continual forward basing, but we hopefully have some peaks and valleys.

Admiral CLARK. It is an absolutely spot-on question. And I have a major review going on right now to examine the Active and Reserve mix for the future. After Cole, I had to totally change the way I postured my antiterrorism force protection structure globally. I had elements that people that I needed to provide harbor security that were only available in the Reserves. I very rapidly went through cycles of rotations for them.

Clearly that is not an adequate structure, so I have brought some—back to Congressman Skelton's question, the same issue. While I have taken some out, I have put a bunch of ATFP (Anti-Terrorism Force Protection) people—over 8- to 9,000 is a target to add to the force protection structure. So we have to balance this.

I will tell you what my thinking is. Our Navy has typically been more of a unit kind of a Reserve structure. I don't believe that is what we need in the future. I believe the future is more about individual skill sets, and we are on the move to transition, because tomorrow's world is about individuals with key skill capabilities that you want to reach out and grab to make you—one person may be the difference between not combat capable and being combat capable, especially as we see the moves in technology.

For example, one of my cruisers today has 400 plus people on it, and I am talking about a DD(X) for the future that is going to have 100 or so, every individual going to be—you know, the role of that person is dramatically different.

And so we are in the process of examining the whole structure. I expect that we are on a track to have that done in the next six to eight months. But I cannot give you an easy answer because it is a very difficult issue to examine, and the answers are challenges.

Mr. SKELTON. Mr. Chairman, may I interrupt at that point? Excuse me, Mr. Larsen, but we might be a little bit premature in judging either Reserve or Active Duty end strength as long as you have a study going on for six or eight months?

Admiral CLARK. What I believe it suggests, Congressman Skelton, is that we should not make any precipitous move, and I don't believe we should, and I don't think we have. The people that I have taken out are people that are specifically—are individuals assigned to ships and units that are decommissioning. I haven't gone after anybody else. To keep them on so that they would not have

a place to go I don't think is the right move. I will try to be as fluid coming back the other way as I have been going this way.

General HAGEE. We have a little bit different situation in the Marine Corps. We just completed a review of our Reserve structure. As you probably know, our Reserves number around 39,600 pretty much mirror images the Active side, as well as a few psychological operations (PSYOPS), civil affairs that are only on the Reserves and not on Active Duty.

We are quite happy the way we are structured right now. As of this morning we had 14,762 individuals, Reserves, on Active Duty. What I have found out in the field talking with them is that they are great Americans, and they want to serve. When they come on Active Duty, they want a real job that contributes to the defense of this Nation. As long as we provide that to them, I don't think, at least in the Marine Corps, that we are going to have a problem with either retention or with having Reserves come on Active Duty.

The CHAIRMAN. I thank the gentleman.

The gentleman from Connecticut, Mr. Simmons.

Mr. SIMMONS. Thank you, Mr. Chairman, and thank you, gentlemen, for your testimony.

I will just make a couple of comments first with regard to guided-missile submarine (SSGN) conversion. On page four of Admiral Clark's presentation, there is a discussion of the Giant Shadow exercise, and I simply call that to the attention of my colleagues. It looks like that exercise was a great success. I am assuming that was the case based on the description, and that is a classic case of how the Navy is involved in transformation of a weapons system designed for one purpose, ballistic missile, submarine two, another purpose which would be—I would call it a force ship or another ship. But I would think that is a very interesting exercise, and I would like to know more about it at some future date.

I also note that the Acting Secretary in his testimony has made reference to UUVs, and I think, as he has said in his testimony, that these represent an incredible new capability for the U.S. Navy. I would certainly support that.

My question goes to the issue of multiple year procurement, and again I will refer to the testimony, Admiral Clark. You say on page 27 we are using multiyear procurement contracts and focusing where possible on economic order quantity purchase practices to optimize our investments. How would you apply the concept of multiyear procurement to submarine production? How do you see that now and into the future when it comes to submarine production?

Admiral CLARK. Well, we have in—the budget before you sees us achieving the ramp-up to two submarines a year, which is something that we have been reaching for. As you well know, Congressman. For several years. And to get there, we have had to—we have made—this isn't something we are thinking about, it is in this budget—to make the investment so that we can get to the economic order quantity line. To do that we had to make capacity investments, and we have done some. So the victory lap here is that here we have the most capable submarine that has ever been conceived in the history of man, and we are going to get to two a year on this, and we are going to be able to do it in a multiyear environ-

ment, which is going to save us hundreds of millions of dollars. And that is the bottom line here.

Mr. SIMMONS. And in addition to that savings of hundreds of millions of dollars, and I agree with that, and I think the estimates show that, is it not true that with the current design techniques being used by Electric Boat and Newport News shipyard, that actually we can make adjustments in that design in the outyears for things like UUVs and other high-tech adaptations and then just fit it right into the plant?

Admiral CLARK. It is so, and in fact, the submarine investment line has included resources to continue this kind of development. And I believe, frankly, this is the way it ought to be done everywhere, this is the right approach, because what we are finding now is that the technology is turning rapidly. You don't want to build a ship or identify and lay a contract down on a ship that is going to take you, in the case of a carrier, six or seven years to build, and by the time—you can see that by the time you deliver it, the combat systems are not even close to what you want them to be.

Our whole approach in the Navy Department is to move to the kind of situation that you have described.

Mr. SIMMONS. I thank you for that response, and I am happy to hear that.

I have one other question for the record. I could submit it for the record, but it goes to the issue of the New England Regional Command for the Navy, Region 1. Last year there was some discussion about consolidating that command. I wonder if that was simply a rumor?

Admiral CLARK. I am totally unaware of what you might be addressing. I will tell you that my intention is to leave the regional command structure just the way it is right now.

Mr. SIMMONS. I thank you for that.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And the gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman, and thank you, gentlemen, for coming before us today. I actually have a lot of questions. I am going to try to limit it to some very top-level type of questions. But I wanted to begin—I would be remiss if I did not thank you in particular for helping us with our base closures going on in Orange County, California. That would be the Tustin helicopter base and El Toro, which has been almost a nine or ten-year situation. We are obviously very happy with the situation that happened out of Tustin, some bumpy roads, but thank you for working so hard with us to get that done this past year. With respect to Tustin, of course, we still have a whole list of things we would like to see, including monies for environmental cleanup of that base. It seems to be one of those bases that may turn out to be somewhat lucrative for the Navy to sell. I know you are working very hard to get that done.

We also have some issues, as you know, a possibility of reopening a commissary for our Active members out in the Orange County area, and, of course, the whole housing issue with respect to Miramar and Camp Pendleton, things that generally I used to work with General James Jones quite a bit before you came on

board. So I will just mention those. Those are important to Orange County, and I hope we can work together to see if we can't find ourself through getting that base off of your hands in particular, Mr. Secretary.

I have three questions. The first one has to do with respect to just an overall view. I don't spend a lot of time on Navy issues because we don't have a lot of that really in Orange County actually. With the base closures in my district, we really don't have bases in my area anymore. But I am a little perplexed about this issue of decommissioning ships and trying to build ships. Of course, we added two more, and we are working on seven this year. But can you talk a little to why or the reasons why we are decommissioning at a time when we are trying to get up to the 310 amount at least that we have sort of congressionally approved? That would be my first question.

The second is with respect to the Joint Strike Fighter. When I worked with General Jones, we worked very hard to ensure that the Joint Strike Fighter was kept on schedule. And as Congresspeople, you know, we sort of go from one situation to another and different issues. I haven't revisited the Joint Strike Fighter in the last four or five months, so things may have changed. Maybe you can update me a little bit on any slippage, whether you still think it is an important—whether it is really the only thing in the gap that you are going to find for the future with respect, in particular, to the Marines.

And I also have a question about the Ospreys and how they still fit in in your scheme for the future, General.

And the third question would be the whole issue of end strength and why are we losing seamen. It seems to me, if I am reading the information correctly, at a time when we are so stretched, where we are looking at the possibility of even more conflict on our hands, and how do you expect if you are really lowering the strength to revamp if that is the situation that we are going to need if more fronts open up?

Secretary JOHNSON. First of all, I would like to thank you for your help in Orange County. I know have you done a lot of behind-the-scenes activity to make it all possible.

And perhaps you would like to talk about the JSF?

General HAGEE. I would be happy to. What I would like to do is provide you details on the Joint Strike Fighter for the record. But I can tell you that it is on schedule right now. Initial operation capability (IOC) is still fiscal year 2010. To my knowledge, there are no significant roadblocks to it right now. Testing is proceeding on schedule, and there are no problems.

On the V-22, in my opinion it is absolutely critical to the way we are going to fight in the future. Testing on that is also proceeding very well. We have done some recent high-rate-of-descent tests on the aircraft, and it has performed as we thought it would perform. We have also done some low-speed flying with it. There was some concern about that. It has performed very well. Just a couple of weeks ago we landed on board amphibious ships with the aircraft, and it performed very well. There was some concern that if one prop was over the deck and one prop was off the deck, that it would tip over and fall into the water. To anyone who is an engi-

neer, there was no surprise that didn't happen. It performed very well.

So that seems to—this—we don't have a time line per se on it. This is an event-driven test, but all the testing is going extremely well on the Osprey.

As far as end strength is concerned, I would like to thank this committee and Congress for the 2,400 increase that we got last year. We took those marines and we bought back the marines that we took out of the operating forces to stand up the 4th Marine Expeditionary Force Antiterrorism, and right now we believe that our current end strength of 175,000 is just about right.

Secretary JOHNSON. In addressing the two other subjects, ships and also end strength, we try our best to be good stewards of the Nation's funds and have the right balance. And every time we make a decision on not increasing end strength, trying to find efficiencies and phasing out equipment that is not currently providing capability to the Nation, we do that in balance. And there they are very difficult. It would be nice to keep all the ships, it would be nice to ask for more people, but as Americans, and being good stewards of our money, we think we should make hard decisions.

Admiral CLARK. Thank you, Mr. Secretary. A great question on the decommissioning of the ship. The class I am talking about specifically is the Spruance-class destroyers. I am very familiar with them. I commanded the class leader. It came in to me when I was a lieutenant, and it starts making me feel old. But I remember the ship coming down the ways in 1975. We were going to notionally keep this class to the 30-year point. This ship does not have an anti-air capability. It has self-protection, self-defense capability. It is a highly—it has got a lot of people in it because it doesn't have any of the new technology that allows you to have low numbers of people. So when I commanded her, I had 325 people in it.

It has a very good antisubmarine warfare system, but it is optimized for deep water, not the shallows. So the frequency range does not deal with the littorals. My problem today is not in—the blue water anti-submarine warfare (ASW) challenge is not where my concerns are. They are in the near water/near land areas. It also has—we modified it, and it has vertical launch in it, and it shoots Tomahawks, but when we put that capability in that ship, it was one of the only ships that had it, and now we are building these new ships, the DDGs and the rest of the cruisers, and they all now have vertical launch, and I have a lot of platforms—that is a redundant capability.

So when I weigh all of that, the Secretary is exactly right. If I had unlimited resources, I would keep that ship as a hedge. But I am trying to recapitalize and get ready for the 21st century. And there is no question that I made a recommendation to the President that I take what I believe is a low-level risk to decommission those ships at the 25-year point instead of holding them for another five or six years and then decommission them. So that is where I am on the decons.

With regard to—I just want to say one thing about JSF. The missions that we were flying over Afghanistan we never, ever envisioned operating that deep off of an aircraft carrier. Some of my guys and gals were going to the tanker four and five times on a

mission and flying eight, nine hours in a fighter. This is really something. JSF, when it delivers, will be able to make that trip in there, 800 miles, come back and never go to the tanker.

Ms. SANCHEZ. I am a strong proponent of the JSF in particular because of the operational maintenance issues.

Admiral CLARK. As soon as we can get it. The reports on it so far are good. This budget has significant funding to make sure that it keeps going.

The last item is on end strength. I gave the numbers earlier. I have 383,000 people in the Navy today with the 376 authorized end strength. So, see, I am 8,000 over, and you all gave me the authority to do that. My retention—so I have got more people than was even in the plan. Last year I had to reduce new accessions by 7,500 because so many people were staying. The reduction I am doing is tied directly to those ships that I am decommissioning. That is what it is tied to. And if I keep them, every thousand of them or so cost me about 75 million a year—it costs the taxpayer. So, I mean, I am making the choice to trade that, that kind of—those resources for other things that I believe are more important to our future, and that is transformation and recapitalizing and buying the ships that can deal with the kind of threat that I believe we are going to face in the rest of the century.

Ms. SANCHEZ. Admiral, I only asked the question—I think it was last week we had the Army in front of us, and the question was asked what if a front with North Korea at the same time we are facing everything now, and basically the comment back was, I don't have anybody to put there. So, you know, my question to you—

Admiral CLARK. My manning is better than it has ever been since I have been in the Navy. My stuff is manned.

Admiral CLARK. My stuff is manned.

Ms. SANCHEZ. And to be able to handle what we might have in the Persian Gulf and what we could possibly have in our hands out in the Korean Peninsula? You feel confident you could do that?

Admiral CLARK. Yes, ma'am.

Ms. SANCHEZ. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady. And the gentlelady from Virginia, Mrs. Davis.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Chairman, and thank you, gentlemen, for being here and I will say that I am very proud of our Marines and sailors and I am very proud to represent the great Marines from Quantico. And Admiral, I am not going to pick on you but I am going to ask you the questions. I was very pleased to hear your answer on the multi-year ship procurement and I hope we will continue to push for that, for the carriers as well as the Virginia-class subs.

With regard to your Sea Power 21, there are a few things there that concern me; specifically, the abandonment of the carrier battle groups and the amphibious ready groups for the strike groups. Having said that, I know that the Navy has been forced into that plan, in my opinion, because of the functional size of the Navy and the ship availability. That said, I understand that you got to adjust to the concept of operations to fit with new transformational capabilities and the current size of the force structure.

Now if I am quoting you correctly, at one point in time you said you can't have a ship in more than one place at a time.

Admiral CLARK. I still believe that to be true.

Mrs. DAVIS OF VIRGINIA. Glad to hear that.

The CHAIRMAN. We will take that for the record.

Mrs. DAVIS OF VIRGINIA. Based on that, I think you also stated that a 375-ship Navy is where we need to be. Can you comment on your long-term objectives to bring the Navy into that 375-ship Navy or has your idea on that 375-ship Navy changed?

Admiral CLARK. That idea has not changed one bit. I absolutely believe that to be ballpark—I said “about.” I don't know the exact number, but it is somewhere in that area. Here is what I believe it to be and why I believe it to be so. I believe that in order to deal with the challenges that we are going to face in the 21st century, the Navy-Marine Corps team is going to have to be out and about more than ever before. That is what I believe. Now I didn't get forced into expeditionary strike groups, carrier strike groups. Actually that was our idea about how to be more places and to beef up the combat capability in each of these groups. I believe that is what is required. How we going to get to 375? I can't tell you yet. But what I do believe is this, and this is why I got that Sea Power and Sea Enterprise initiative going.

And this is why on the issue of people I want to be remembered as a CNO who backed people to the hilt. You know, the best retention is happening for a reason. I am really proud of this, and I want to make sure that we are providing the growth and development opportunities for them the likes of which they have never seen before. That is what I want. But I don't want to pay for one of them that I don't need to have the kind of credible combat capability because—I gave you the numbers. When I bought 4,000 of them, it cost me \$325 million. I could have bought a auxillary cargo and ammunition ship (T-AKE) for that. So that is where I am on the people side of this. In order for us to get to 375, we have got to become more efficient. We have to.

Now I am going to keep driving to reduce people if I possibly can, but I hope that my record shows that I am going to go get the people that we've got to have a credible combat force. If you talk to the people who are wearing the uniform in the Navy, I want them to tell you that the CNO is after them to make sure they are doing this the most efficient way possible and that is why I have told them in my guidance for 2003 I expect every leader to be dedicated to the mission accomplishment more than anything else, and then the growth and development of the people that have been entrusted to their care and leadership. But then I want them to be good stewards of the taxpayers' dollars.

Mrs. DAVIS OF VIRGINIA. And I think you are, Admiral. And I think unless you change, you will have the reputation that you want to have. I think you already—

Mr. SKELTON. May I interrupt, Mr. Chairman? Just a reminder that the 2001 Quadrennial Defense Review said that a fleet of 310 ships yields moderate risk of failing to meet requirements. We should keep that in mind.

Mrs. DAVIS OF VIRGINIA. I totally keep that in mind, Mr. Skelton, and I think the Admiral does, too.

I have one other question. Can you comment on what effect that you believe that the current operations will have upon ship maintenance and Operations Navt (OPNAV) 4700 and has the Navy considered what effect the ship swapping will have long-term upon the OPNAV 4700?

Admiral CLARK. We are very actively working in the reconstitution for the plan for what I have got going on out there. I have got a big part of our Navy deployed. The Commandant mentioned earlier the requirement for supplementals. I did not mention it. It is obvious that when this year's budget went forward it didn't anticipate that we were going to be operating this kind of demand schedule. So we are working a reconstitution plan, and it has got to be very fluid because I don't know the future. So I am planning to rotate through this structure that is over there, to continue to rotate the forces, and I have committed to the people we are going to do the best we can with six month deployments, but we have already had to break that in a few places. That will impact our ability to do the scheduling and on the post-operational maintenance. So it is a very active plan.

Mrs. DAVIS OF VIRGINIA. Will you keep us advised on that?

Admiral CLARK. Absolutely, and it is absolutely going to affect your regions.

Mrs. DAVIS OF VIRGINIA. Thank you very much, gentlemen, and thanks for being here.

General HAGEE. If I could add one point, the CNO and I probably have not done a very good job articulating expeditionary strike group. The amphibious ready group has not gone away. What we have done is we have enhanced it. We have added two surface ships, a submarine, a P-3 to give it much more capability and striking power.

The CHAIRMAN. I thank the gentlelady. The distinguished gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman, and welcome to all three of you. Mr. Secretary—the first time I met the Secretary was on a trip we took in August, 2001. In 4 days, we visited 12 States and visited 25 military bases. So we spent a lot of air time together.

And General Hagee, welcome and congratulations on your new job and I especially admire your wife being here enduring this with you. Maybe after dealing with us she will understand why you go back to Eighth and I Street like you do some nights.

Admiral Clark, it is always good to see you, and I can tell you one reason I think retention is so high, and it is you and nobody else but you. I was privileged to be on the deck of the Pueblo when they commissioned her in November in Boston. And the way I saw you relate with the men and women in uniform, there is no other reason why the retention is like it is and you will be remembered for that and for that you are to be congratulated. There is nothing more important we have than the men and women in uniform in all the services. And the way you treat them is absolutely incredible, and I thank you for that, believe me.

Admiral CLARK. You are very kind, but I have the most incredible group of leaders working with me. I have a great team.

Mr. SCHROCK. Mr. Secretary, in your testimony, your overreaching goals, absolutely right on. And everybody has talked about the recapitalizing, the modernizing and the transforming. That is what this is all about. And if we don't stick with that, we are never going to achieve anything. But I think we will. In getting rid of the legacy systems, I too worry like several members here that decommissioning ships might stretch us too thin, but I understand the reason why. You are trying to get on to the newer class of things and, believe me, I support that.

I have three questions and I am going to ask them real quick because I don't want my time to run out, and then I will sit back and listen. This is for the Secretary and the CNO as a follow-on of what Mrs. Davis said. It is hard to anticipate what the mission is going to be tomorrow, because on September 11 we didn't know what it would be tomorrow and it all changed. What is your view of the U.S. Navy resources relative to the anticipated goals and missions over the next 5 years? That is one. I totally support the LCS program. And for the record, and for the CNO especially, I support the DD(X) program, contrary to what you might have read recently. I do support the DD(X) program. But do you foresee that we are going to have a robust procurement program or do you think there are going to be program extensions over the next decade?

It is my understanding that the first one is supposed to be commissioned hopefully by 2007, if I'm not mistaken. I hope that is the case. If you could comment on that.

And the third one would be for General Hagee and the Secretary. You have pretty much commented on it. I guess the integration of a tactical aircraft squadrons. And clearly you believe in that and clearly you made us understand what integration would mean to you. There is a projected savings of \$1 billion. I support that, but I would like to know where that is coming from.

Secretary JOHNSON. On the first one, we don't have a magic globe to say what is going to happen around the world. We can say that your Marines and sailors will be forward deployed ready to represent our country and the allies any place that they are needed. We will work very, very hard to make sure they are properly prepared equipment-wise as well as training. And the things that the Commandant and the CNO have done to increase the value of the people we have really serves the Nation very well.

On the second area, LCS, I will defer to the CNO.

Admiral CLARK. Secretary said it perfectly on being able to anticipate future requirements, and that is why we have got to be working a reconstitution plan. You can't have 50 percent or 51 percent of your Navy deployed and have it not affect your ability to do regular rotations. We are a rotational force and the Navy-Marine Corps team is the thing that sets aside, is that we are out there every day. And 70 percent of the amphibious fleet is out there supporting the Marine Corps and all of the people that they have in the area. And so we have to put together a responsible reconstitution plan. And this is something that is weighing heavily, but we got a great team and they will pull it together and they will make it work. And that team is also the partnership with industry, the repair industry, that you both are very aware of, and I am confident that we will be able to work through that effectively.

Let me say this about LCS. 2007, yes. If I could have this ship tomorrow, I would like to have it tomorrow. We are moving more rapidly on this than anything we have ever done. It is really typical of acquisition reform. We have a half a dozen contracts—firms under contract right now helping us with design development. And if we can move to—and since it is a plug-and-play kind of an approach, I believe we will be able to bring it on-line more rapidly. And I believe—I will just say this in an unclassified hearing—I believe this platform will deal with the kind of threat that we desperately need to defend against in the near term, so we need it quickly.

The question on integrated—on TacAir integration; where does it come from? I am decommissioning a couple squadrons and we are reducing our numbers of those old airplanes, and the Marines who have committed that they are going to be part of our airwings every day. Currently there are four squadrons of F-18s from the Marine Corps operating out of our airwings, and it is going to become all of our airwings.

Here is the other one. It was in the paper the other day. I don't know if people picked up on it. The first Marine has been named that is going to command the airwing on the aircraft carrier and he will report this year and this integration is underway. That is where the savings come from because now the forces that I have will be able to deploy with him if I need to support him and augment his capability ashore. I expect our people are going to deploy and support the Marines when they are overseas and visa versa.

Secretary JOHNSON. This is something that older members of our great country who have been in the Navy and Marine Corps have a hard time believing. You will have a Marine commanding a civil affairs group (CAG). You will have a Navy captain commanding an air group. This is togetherness. This is jointness and a great attribute to our leaders.

Mr. SCHROCK. When I first came into the Navy, the thought of women on ships—I mean nobody even said that. Now look.

General HAGEE. As the Secretary said, it is very hard, or Yogi Berra said, it is very hard to predict the future. However, one thing that the CNO and I have talked about today and one thing that we strongly believe, and that is that we are always going to be required to project combat power from the sea. And as we look out in the outyears, we think that that is going to become much more likely and the call for Naval forces is going to increase. In order to do that, five, six, seven years from now, we absolutely must have the MV-22. We must have the Joint Strike Fighter. On the ground side, we need to have the Advanced Assault Amphibian Vehicle and the Lightweight 155. LPD-17, we need to buy that out, all 12 of those. It is up to the Navy and Marine Corps to decide what the follow-on is going to be to the LHA and we are working hard on that, and what the follow-on is going to be to maritime prepositioning.

I would like to make a comment. I thank the Congress and the foresight of the Congress in providing funding for that. Over in the Gulf in the last month we have offloaded 2 squadrons; that is 11 ships. We offloaded them in 16 days. And the readiness of that

equipment that came off of it was at the 99 percentile. It even surprised us.

Mr. SCHROCK. Thank you, and thanks to all the men and women in uniform because they have some heavy duty times ahead of them. Thanks.

The CHAIRMAN. I thank the gentleman. The gentleman from North Carolina, Mr. Jones.

Mr. JONES OF NORTH CAROLINA. Mr. Chairman, thank you very much and I want to say to each Admiral Clark and Commandant Hagee and also to Secretary Johnson, thank you for your leadership, and I have the honor to represent a military district. It is the home of Camp Lejeune, Cherry Point, New River and also Seymour Johnson Air Force Base. And the people of the Third District of North Carolina respect and love and appreciate our men and women in uniform. I can't help, Mr. Chairman, but put this in for you in my questions. I am sitting here looking at such an outstanding team and all through the reports that I read, Navy-Marine Corps team. And only thing I see missing is your name, Secretary Johnson. It should be Secretary of the Navy and Marine Corps, because it has been said for nine years, and I have been here for nine years, that we are a team and there is no question it is a team. So I hope that this year that the Senate, not the House, because we passed this legislation last year, but this year with all the integration and all the teamwork, if you will, I think the coach of the team, in this case, the Secretary, should carry the name of the Secretary of the Navy and Marine Corps. I am not going to ask you how you feel about the Secretary of the Navy and Marine Corps for the record unless you raise your hand and want me to.

Secretary JOHNSON. I trust to act as the Secretary of the Marine Corps and Navy.

Mr. JONES OF NORTH CAROLINA. You do, but the problem is the name. There are four services that are recognized by the government, by the Congress. All but one has a Secretary in name. Yes, you are the Secretary of the Marine Corps; that is no question. But I can tell you because I have spoken to many men and women in the Marine Corps that would love to have you visit and be introduced to the Marines as the Secretary of Navy and Marine Corps, not just introduced as Secretary of the Navy, because they are a team. So, Mr. Chairman, I will continue to fight that battle.

Let me say, if I might, Mr. Secretary, I want to deal my questions to you and there will be a couple for you and one for Admiral Clark and Commandant Hagee. We have a depot in my district, Cherry Point Navy-Marine Depot. And just like with the Clinton administration, it is going to be the same fight with the Bush administration. It appears, that there are people within this government and the previous administration and this administration that just do not see the importance of the depot system. Now you might say, well, you are wrong, Congressman, they do. But the way that you judge whether they are seen as being equal is how the game is played. And I want to give you an example. I was driving back in October of last year and just happened—back to D.C.—and happened to pick up Paul Harvey. And the way he introduced his comments, Blackhawk down in Alabama. Well, certainly that is going to get anybody's attention. First of all, Blackhawk, and then you

say down, you think there has been a crash. But what he was talking about is that the workers down at Sikorski had gone on strike and they weren't able to work on the Blackhawk helicopters that we need. This was October this past year. This wasn't three years ago. It is this year when we are at war with terrorism.

So my question to you is, it is my understanding that the Air Force is making a major commitment to its Air Logistic Centers to modernize, and I would like to ask you, Mr. Secretary, what is the Navy going to do as it relates to the naval depots (NAVDEP), what are we going to do to modernize those facilities? As Commandant Kulak said 5 years ago, if you do not support the depot system—he said this to this Congress, to the committee—then you are going to jeopardize the 911 force of America. Would you share with me the plans to modernize and to work with the depot systems within the Navy?

Secretary JOHNSON. I would be glad to respond with specifics in writing, but we are continually looking at how we can better do that job you described so well. We have an ongoing study now looking at our depots, how we can do the maintenance task. We had an earlier one that said the way you maintain ships is make sure they are right on time, but that doesn't take into account world situations. And our depots and I must say our industry also leans forward when we need them. I have never seen where the Nation did not provide things we need. I appreciate your comments about strikes, but our Nation always leans forward. We are very proud of our civilian workforce and defend that very well.

Mr. JONES OF NORTH CAROLINA. Well, Mr. Secretary of the Navy and the Marine Corps, let me say there is a morale problem and it is not your doing, from the A-76 study—and this is another issue that we need to take up as a committee at another time, but the morale is not where it needs to be because many of the civilian workers on the base feel that when it comes to a bidding process that it is not apples for apples.

Mr. Chairman, I have one more question. I guess I am the last one anyway. But if I could ask one question on what Colonel Gibbons was asking and I do have other questions for Secretary of the Navy and Marine Corps Johnson that I would like to submit for a written response, please.

The CHAIRMAN. Actually, Mr. Jones, he is the Acting Secretary of the Navy and Marine Corps.

Mr. JONES OF NORTH CAROLINA. I apologize for that mistake.

The CHAIRMAN. Let the record reflect that you have offered that designation for the Secretary and he appears to have accepted it.

Mr. JONES OF NORTH CAROLINA. He didn't raise his hand to object. If I could ask this, Admiral Clark and General Hagee, the Navy Marine Corps TacAir integration reflects a reduction of 500 aircraft between the years of 2007 and 2012; a reduction of 500. Can each of you comment on what this reduction means with regards to the Joint Strike Fighter and the future of the Joint Strike Fighter as it plays a major role in defense of this Nation?

General HAGEE. Yes, sir. The Joint Strike Fighter is absolutely critical to the success of TacAir integration. As I mentioned previously, the Joint Strike Fighter brings much more capability to the battlefield than the current F and A-18 and 88 Harrier. And

we will be able to reduce the number of aircraft that we have in each one of our squadrons as we bring in the Joint Strike Fighter, actually reduce the number of aircraft and provide more capability.

Mr. JONES OF NORTH CAROLINA. Admiral Clark, there is no threat to the needs of the Joint Strike Fighter as well as to the numbers with this 500—

Admiral CLARK. Quite the contrary. The JSF will allow us to have this integrated force that the Commandant has addressed, but the reductions are going to occur because I am going to decommission some squadrons, and he is going to fly his airplanes off of my carrier decks. I am going to keep additional squadrons that are going to be trained and in fact deployed with Marines to forward land sites. And so what is happening here is that instead of having the Marines stovepipe here and Navy stovepipe here, we have merged these, and we are going to cross-train and we are going to have more surge capability, and the airplanes are more combat capable. So we are going to buy fewer airplanes, no doubt about it. I will tell you there was a bow wave in the outyears and the size of that bow wave was over \$35 billion. We have a plan that we are going to be able—this was in the broad range of aviation, wasn't all in this area, but this is a plan that not only can we execute by working together—and I so appreciate the words about—and you know we are even advertising together about the power of teamwork—that this Naval service is reliant upon one another and that the sum of these is greater than individual parts and that is the kind of fighting force that we want. It absolutely does not jeopardize JSF. We are going to buy hundreds of them.

Mr. JONES OF NORTH CAROLINA. Thank you for the additional time, and I close by saying God, please bless our men and women in uniform and their families.

The CHAIRMAN. I thank the gentleman, and the gentleman from South Carolina, Mr. Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman, and, gentlemen, it is an honor to be with you today. I am particularly gratified. I have a son who is an ensign in the U.S. Navy, Graduate of the Naval Academy. I am very grateful to have the opportunity to represent Parris Island. Also I represent the Marine Air Station there in Beaufort and the Beaufort Naval Hospital. So I have facilities that you have jurisdictions of that we greatly appreciate in our community and very proud of the Marines and sailors who are serving. We have five different fighter squadrons who are deployed now in the war against terrorism. And our community is very, very supportive and appreciative.

Last week I had the opportunity to visit in Kuwait with the 1st Marine Division, and that was an extraordinary opportunity. It is very inspiring for me. My late father-in-law had served with that division at Okinawa. So it was a very meaningful experience to see those young motivated and skilled and equipped troops, and I wish you well.

Now one of the hazards of being the most junior person left here right now is that Congressman Skelton asked a question that I had, and Congressman Saxton asked another question I had. But I do have another question for Admiral Clark, and I want to commend the Navy for its plan for the tactical air integration that will

save taxpayers' money. And in particular we have been pleased at Beaufort, the partnership between the Navy and the Marines, and how well we feel that that has gone over. And an issue of interest to all of us is how this particular plan will impact base realignment and closure (BRAC).

Admiral CLARK. I can't tell you how it will impact BRAC because the analysis will have to be done during the BRAC process to evaluate capabilities. I can tell you this: Across the structure, I have some types of land that are tremendously important to me such that I cling to them, and that is air space and waterfront property. And so the analysis to be done on what the future shore base structure needs to look like has to be done carefully to protect the operational requirements in the future. I won't prejudge it, but I will tell you that is priority to me. I must have air space in order to effectively and in a very demanding way train and test our people before they go into combat. So that requires the right volume of air space. And, of course, waterfront property goes without saying what the nature of that is for us. And so those judgments will be made in the days ahead, years ahead, actually, from where we sit right now.

Mr. WILSON OF SOUTH CAROLINA. Thank you very much, and I want to join with Congressman Jones to thank you for your service and God bless our troops.

The CHAIRMAN. I thank the gentleman. And gentlemen, I want to check with our members and see, Mr. Skelton, Mr. Taylor, do you have any other questions you would like to ask?

Mr. TAYLOR. Just one. Admiral Clark, I obviously am pleased to hear about your manning situation. What you can tell me now is that the problem of cross-decking has been totally eliminated in the Navy?

Admiral CLARK. It has been reduced to almost nothing. There are some skill sets where I have shortages. And so—in the details of my testimony I talk about a new program this year called Perform to Serve. Our retention is such that I won't let somebody reenlist if they are in an overmanned area and they can move to another area where I have a gap. So I have some specific skill set gaps. They are small but I do have them.

Mr. TAYLOR. I was here in 1990 when they told us we had too many people. I was here when they said we can have a drawdown without causing problems, and so in all those years after that when I heard about all the cross decking problems and personnel problems throughout the services, how do you get your reduction without four years from now, the next thing you know, sitting before this committee telling me horror stories about cross decking?

Admiral CLARK. I have to do it smartly.

Mr. TAYLOR. The last guy said he was going to do it smartly. Are we learning from our mistakes?

Admiral CLARK. Well, the reason that I am as healthy as I am today is that the Congress has given me the flexibility with the ability to surge in and around my end strength line. And we have young men and women who want to serve and we have put programs and leadership programs in place that I believe our people are responding to. So what is dramatically different than what you are talking about in 1990 is their force wasn't 100 percent manned

like mine is. What they were buying was something—we were, in fact, when I got this job, we were buying fleet seats something like 92 percent. I am buying them at about 100 percent. And so in terms of the—the changes are specifically and directly tied to units that I am going to decommission. It is not any snazzier than that. I have other things going on that potentially will allow me to make other efficiencies. Let me give you an example. I alluded to the optimum manning experiment. I alluded to sea swap. I have got this program going on to see how to get more utility out of this stuff that we have.

Mr. TAYLOR. And I think you are really smart to bring the crews to the ships.

Admiral CLARK. I don't pretend that I got this perfectly right. What I pretend—I have asked my Navy this. Have the courage to challenge every assumption and, if you do that, we can sit down and talk about it and make judgments about it. That is what I am asking them to do.

Mr. TAYLOR. What is the targeted year where the Navy ship numbers bottom out and we start going up?

Admiral CLARK. I have to get it for you. It depends on the way LCS delivers and I am not sure I can give it to you right now.

[The information referred to can be found in the Appendix beginning on page 366.]

Mr. TAYLOR. I can understand your situation now. When we start ramping up again, how are going to we know that we have the trained people in place for that?

Admiral CLARK. Well, you—that is a multi-faceted question.

Mr. TAYLOR. And I am really looking forward to that problem.

Admiral CLARK. I understand. One of the things about our Navy manpower structure is that because we are a rotational force, we are maintaining a structure that allows us to rotate people on and off sea duty and so forth. So by no means is the fleet tying up all of our people. Some of the things I am challenging are people that aren't members of the line community, if you will, those that go to sea, the element of shore structure. And I will tell you as long as I come back to the Congress, I am going to be banging on this issue inside my Navy. I don't want anybody here paying their salary if there is a more efficient and more effective way for me to get the utility from a human resource point of view. On the point where we are talking about people at sea, nobody has been touched in one way, not any way with any of the reductions that I am talking about.

Mr. SKELTON. Mr. Chairman, may I interrupt? Along that line, I have been given the figures from the Navy, but that would bottom out in 2010 with 291 ships, which would be the smallest Navy we have had since 1916. I don't know where that came from, but those were the figures that the Navy gave our staff and you may have some additions or contributions to that.

Admiral CLARK. The staff has handed me a piece of paper that says we will bottom out in fiscal year 2006. And in fiscal year 2009 we will be back to 305. I didn't know that until they handed this to me.

Mr. TAYLOR. You answered my question. Thank you, Admiral.

Secretary JOHNSON. If I could make a statement. I was on the optimally manned ship, the Mobile Bay, the other day and they are down 57 people from the maximum manning, and the only comment was there is no room for slackers. Everybody has a job to do and we are very pleased with the optimally manned ship, and it really says a lot but there is no room for slackers. Everybody has to carry their load.

Admiral CLARK. May I add one other comment? Here is the strategy that I am pursuing. My conviction is that to win the battle for people, and I started talking to you the first year I came here that I was going to go after this battle for people and we are winning it. The manning posture is dramatically different than it was two-and-a-half years ago. One of the things I committed to my Navy was this: I am going to do everything that I can to get rid of nonrated people. I don't even want to have them. I want every job that we have to be packed and loaded with job content. We are in the midst of a revolution in training in the Navy. It is titled Under the Sea Warrior Concept. But we are restructuring the way we are going about the whole growth and development process. We have not effectively delivered training opportunities to our people when they were deployed in the past. I see a world and a future where the kind of connectivities that we are going to have in our future that that growth process never ever stops and that we deliver on the guarantee to the young men and women who raise their right hand and promise to support and defend the Constitution and obey the orders of the President of the United States and all of us in the chain of command. We are going to deliver on that growth and development promise like we have never been able to deliver before. And that is why we are not going to cut—I am going to do everything I can to have some successor of mine up here telling you we did this wrong. But am I clairvoyant? No, but I am happy to open the books and show you every judgment decision point that we face and to get your counsel on whether we are doing this right.

The CHAIRMAN. Mr. Secretary and Admiral and General, thank you very much for being with us. We obviously—you got a number of challenges in front of you, a lot of them operational right now with the forces that are moving into theater. And I know that a number of members of the committee, and myself included, want to talk to you at a later time about some of the operational issues. We thank you very much for painting the picture today and responding to our members. You had a broad array of questions, and thank you very much and thank you, Mrs. Hagee, for accompanying your husband and you have done very well and we want to thank you for your service to the country.

Hearing is adjourned.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 26, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 26, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Department of the Navy FY04 Posture Hearing

Wednesday, February 26, 2003

The Committee will come to order.

Today, I am pleased to welcome Acting Secretary of the Navy H.T. Johnson, for this first appearance before the full committee in his latest capacity.

I am also pleased to welcome back Admiral Vern Clark, the Chief of Naval Operations.

And making his first appearance before the full committee today is General Mike Hagee, the 33rd Commandant of the Marine Corps. The committee looks forward to your leadership in the challenging months and years to come.

Three weeks ago, Secretary Rumsfeld outlined the challenge before us—to win the global war on terror, to prepare for threats we will face later this decade, and to continue to transform the military for threats we will face in 2010 and beyond.

While the current Navy and Marine Corps leadership, and the Administration more broadly, deserve credit for the effort to adequately fund equipment modernization, I am concerned that the force structure and manpower reductions being proposed to finance this effort are not only short-sighted but will lead to an unnecessary reduction in combat power and resultant increase in military risk.

The Navy and Marine Corps' fiscal year 2004 budget request is \$114.7 billion, an increase of \$3.5 billion from last year, but only a 3.1 percent increase overall. While this budget request makes improvements to pay and quality of life programs, the proposed level of funding to operate, maintain and modernize today's forces, is not adequate to sustain the proposed force structure.

The Navy's shipbuilding request of seven ships for fiscal year 2004 is up from five last year. However, as Secretary Rumsfeld noted, a construction rate of ten ships per year is required to sustain our 300-ship battle force fleet. Of particular concern, is the fact that this budget projects a Navy fleet of 290 ships by 2006 -- well below the 310 ship fleet characterized as a

“moderate risk” sized fleet in the September 2001 Quadrennial Defense Review.

The Navy and Marine Corps’ aircraft procurement account proposes funding approximately 100 new aircraft in fiscal year 2004, an increase of about 15 from last year’s projection. To help pay for these new procurements, the budget proposes the integration of Navy and Marine tactical aircraft squadrons. This consolidation is projected to save \$975 million over the next six years, but would cut the number of fighter aircraft by 497 over this same period—about a ten percent reduction. Given the Navy and Marine Corps’ recent and current high operations tempo, I’m concerned that this proposed reduction could place further strain on our people and equipment.

To develop future systems, the budget request adds \$476 million for the Department of the Navy’s research and development account above last year’s appropriated level. However, the Navy’s advanced submarine technology and land attack technology programs are significantly reduced. Further, for the second year in a row, the Navy’s science and technology program is almost \$500 million less than last year’s appropriated level.

I look forward to a candid discussion of the risks associated with our readiness, investment, transformation, and divesture strategies today and in our more detailed subcommittee hearings to follow.

I now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

Mr. Secretary, Admiral Clark, and General Hagee, without objection, the entirety of your prepared statements will be entered into the record.

Secretary Johnson, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO), Ranking
Member, Committee on Armed Services, U.S. House of
Representatives
Posture Hearing on FY 2004 Department of the Navy Budget Request
February 26, 2003**

Thank you, Mr. Chairman. Secretary Johnson, Admiral Clark, General Hagee: thank you for being here. At the outset let me say how proud we, and all Americans are, of the valiant service our sailors and Marines provide everyday. Given the many challenges we face around the world, we ask a lot of them and their families. I hope you will tell them how grateful we are for their service.

Overall, there are many positive elements of the Department of the Navy's budget request. There is a range of innovative proposals here—from integrating Navy and Marine tactical air programs, to developing the littoral combat ship and the next generation of electronic attack aircraft. I look forward to seeing the results of these efforts.

While I am also pleased with the addition of two more ships in this budget, decommissionings will bring the Navy fleet size to 291 by Fiscal Year 2006, a level we haven't hit since 1916. I know that our ships have far greater capabilities now, but the geography of the oceans is unchanged. U.S. leadership depends on the best naval combat capabilities, but also on our global presence.

Related to ship levels is Navy end-strength. I recognize that the proposed reductions are in part due to ship decommissionings. But at a time when the United States is engaged in global operations, there are more missions than ever for our services. We must have enough troops trained and equipped with the best we can offer to meet our missions.

Thank you all for your continued service and thank you, Mr. Chairman.

Congressman Jeff Miller
Statement Delivered to the House Armed Services Committee
Navy Posture Hearing
Wednesday, February 26, 2003

Mr. Chairman: I would like to take a moment to thank Acting Secretary of the Navy, The Honorable Hansfort Johnson, the Commandant of the Marine Corps, General Michael Hagee, and the Chief of Naval Operations, Admiral Vernon Clark, for their attendance at today's hearing. I would also like to express my sincere appreciation for the former Secretary of the Navy Gordon England and wish Secretary England my best in his new endeavor. It is my hope a Secretary will be appointed in the near future.

Mr. Chairman, my district, which includes Pensacola, FL, the cradle of naval aviation, is dominated by military activity. I have the largest concentration of retired veterans than any other congressional district in Congress. The east-end of the district is all but consumed by Eglin Air Force, while the west-end is home to Pensacola Naval Air Station and Whiting Field. Both PNS and Whiting are primary aviation training facilities. It is here that every naval aviator must successfully complete training, and the reason why every Naval aviator I meet has, at one time, been a constituent of Florida's first district. Pensacola is a Navy town and supportive of our sailors and Marines.

I know, Mr. Chairman, the Navy is in good hands. In know they are trying, within the constraints of a "never enough" budget to align priorities. From my travels abroad, and many visits to the facilities in my district, I am convinced that the leadership we have before us today is just as impressive as the subordinates we have at sea. These men and women, so proud to perform their mission, and so competent to complete their task, are a true testament and heart of our nation's military.

As you may imagine, I am concerned with the safety of our student pilots and the deliberate action to delay purchases of a safer, more efficient aircraft trainer, the T-6. Year after year, Members representing this district must come before the committee and request additional dollars for a trainer the Navy was once committed to buying, but put off due to budget prioritization. This delay, after committing to purchase with safety as the number one reason to do so, is dangerous and not in keeping with putting our people first.

For this reason, Mr. Chairman, I am forced, for the second year in a row, to put aside other important requests in my district and this nation to correct the continued shortsightedness of Naval budget planners, who are putting the bottom line ahead of practical decisions and individual safety.

It is my hope, Mr. Chairman, that next year I will be able to move on to other items on my district, thereby supporting the Navy by other means.

Thank you Mr. Chairman.

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UNTIL RELEASED BY THE
HOUSE ARMED SERVICES
COMMITTEE

STATEMENT OF
HONORABLE HANSFORD T. JOHNSON
SECRETARY OF THE NAVY (ACTING)
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
26 FEBRUARY 2003

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Navy-Marine Corps Team: National Seapower ... Around the World, Around the Clock

I. Introduction

The Navy - Marine Corps Team continues to provide extraordinary service and value to our Nation. Throughout the past year our Naval Forces have distinguished themselves around the globe, and our Sailors and Marines operating in the air, on and under the sea, and on the ground -- including our space cadre -- remain at the leading edge of the Global War on Terrorism. They have demonstrated the full effect of their lethal power, from the blue water to the littorals and well beyond, engaging and destroying the enemy in areas that previously would have been considered sanctuaries from sea-based forces. At a time of great consequence for our Nation, our Navy and Marine Corps not only have "answered the call," but have done so while improving our combat readiness and retaining our Sailors and Marines at historic rates.

Our successes in the Global War on Terrorism, while significant, have not been achieved in isolation. We have worked alongside, in partnership, with our sister Services to realize the true potential of joint, interoperable forces in the new environment of 21st Century warfare. The superior operational and personnel readiness levels we have been able to sustain are directly reflective of the strong, sustained support of the Congress. In Fiscal Year (FY) 2004, we seek your support for the President's budget request to sustain the gains made to date, improve those areas where shortfalls remain, and continue transforming the Navy and Marine Corps for the 21st Century.

In the balance of this statement we will describe the significant accomplishments the Navy and Marine Corps have realized during the past year, the improvements in our warfighting readiness and capabilities that are supported by the President's FY 2004 budget request, and some details of our plans to transform and prepare for the challenges of the future. In assessing our request, it is important to note that our focus is on improving our ability to operate as an agile, lethal and effective member of a broader, networked joint warfighting force. To that end, we have given priority to the following overarching goals:

- Successfully prosecuting the Global War on Terrorism while sustaining our current readiness;
- Recapitalizing, modernizing and transforming our Navy and Marine Corps to meet the challenges of the future;
- Fully networking our forces at sea and ashore to operate seamlessly in a joint and coalition environment;
- Continuing to invest in our Sailors and Marines; and
- Sustaining the quality of our operational training.

In pursuing these principal objectives, we had to make some difficult tradeoffs within our proposed program. However, our FY 2004 budget request is the best balance possible among important, but often competing priorities.

II. Context for the FY 2004 Budget Request: Succeeding in a Time of Great Consequence

Last year, our Navy and Marine Corps forces built on the historic response of our Sailors and Marines following the September 11, 2001 attacks on our Nation. Today, our forces continue leading the way on the front lines of the Global War on Terrorism. More than half of our Navy operating forces are underway and more than a third of our expeditionary forces are deployed around the globe. Since the beginning of Operation ENDURING FREEDOM more than 90,000 Sailors and Marines and 100 Navy ships have deployed in support of ongoing operations. Nine of our 12 aircraft carriers and half of our 12 Amphibious Ready Groups have seen action in this worldwide conflict. Additionally, over 5,000 members of the Naval Reserve and 15,000 members of the Marine Corps Reserve have been activated in support of these operations.

Even after the effective defeat of the Taliban and the liberation of Afghanistan, our Naval Forces, whether sea-based or on the ground, continue their missions. For example, Marines from the 4th Marine Expeditionary Brigade (Anti-Terrorism) provide support and security for the U.S. State Department and the U.S. Embassy in Kabul, while others serve in Tactical Air Operations Detachments in support of air and Naval Special Warfare operations in Afghanistan.

While the Global War on Terrorism remains our principal focus, the Navy-Marine Corps team still operates extensively, as in the past, representing U.S. interests throughout the world. In Southwest Asia, we maintained continuous carrier presence, conducting combat operations over Iraq in support of Operation SOUTHERN WATCH. At the same time, naval task forces continued Maritime and Leadership Interdiction Operations supporting United Nations economic sanctions against Iraq for the eleventh straight year. In addition to these operational commitments, over 2,000 Marines participated in EAGER MACE 2002, an amphibious assault exercise in Kuwait in late September 2002.

During May through August 2002, over 1400 Sailors, Marines, and Coast Guardsmen participated in the eighth annual Cooperation Afloat Readiness and Training (CARAT) exercise with countries including the Philippines, Thailand, Singapore, Indonesia, Malaysia and Brunei. Marines from the Third Marine Expeditionary Force participated with all CARAT nations in landing force operations as well as providing a Marine Security Element to advise and assist the armed forces of the Philippines in their efforts against global terrorism.

In the Mediterranean, Navy ships, including surface combatants, submarines and patrol craft operated with friends and allies in over 60 exercises with NATO and Western European nations to enforce United Nations sanctions in the Federal Republic of Yugoslavia. Marines from the 24th Marine Expeditionary Unit (Special Operations Capable) demonstrated their capability to offload and move inland to reinforce Kosovo Forces' security requirements.

Our ability to sustain the preceding breadth of capabilities, from combat operations to peacetime coalition-building exercises, came as a result of difficult choices we made -- choices that have proven wise by the manner in which history unfolded last year. As you recall, in last year's budget we placed great emphasis on fixing some of the chronic problems that had been threatening our long term ability to man, operate and sustain the fleet we have today. We made a conscious decision to give the highest priority to our personnel and current readiness accounts. Within our critical procurement accounts we undertook a major effort to make the foundations for our shipbuilding programs healthy, even at the expense of being able to procure only five new ships in FY 2003. While Congressional support for supplemental appropriations did much to decrease our maintenance backlog and fill our spare parts bins, we fully recognize our FY 2003 plan devoted fewer resources toward recapitalization than either the Department or the Congress would have wished. Having made that difficult prioritization we committed to translating a healthy procurement base in FY 2003 into earnest recapitalization in FY2004. We have kept that promise.

III. The FY 2004 Budget: Building from a Solid Foundation

The Department's FY 2004 budget request reflects an increase of \$3.5 billion above the amount provided in the FY 2003 Defense Appropriations Act. It also reflects the Department's commitment to get the most out of every dollar provided by the American taxpayers. We do not come to the Congress with "hat in hand," but rather with a responsible request, optimally balanced across an entire department of competing priorities. In this budget request we have proposed an additional \$1.9 billion for our priority programs with funds identified through our own rigorous cost savings and divestiture initiatives.

Together, these sources of additional funds have enabled us to "turn the corner" in our most pressing recapitalization efforts. Two thirds of our top line increase is dedicated toward increased procurement. This budget request reflects two more new construction ships and five more aircraft than appropriated by Congress last year. It increases our funding for transformational R&D initiatives by a half billion dollars while consolidating the critical gains in personnel and current readiness achieved in last year's budget. The following represents the priority funding in FY 2004 for the Department of the Navy:

- We propose 7 new construction ships and 100 new aircraft;
- We propose significant transformational capabilities, including the next-generation aircraft carrier (CVN-21), the next-generation destroyer (DD(X)), the Littoral Combat Ship (LCS), two more SSBN-to-SSGN conversions, the Joint Strike Fighter (JSF), the V-22 Osprey, the Advanced Amphibious Assault Vehicle (AAAV) and the Advanced Hawkeye (E-2C) Program;
- The Administration proposes a range of military pay increases from 2.0% up to 6.25%, targeted by rank and years of service, and additional reductions in out-of-pocket housing costs from 7.5% to 3.5%;
- We propose sustained funding for our key operational readiness accounts, including an increase by over \$200 million for aviation depot maintenance;

- We implement Navy – Marine Corps Tactical Aviation Integration, a process that will maximize our combat power, optimize the core capability of Naval aviation forces, and introduce 200 modern aircraft across the FY 2004 – FY 2009 program;
- We improve the quality of our operational training through our Training Resource Strategy, and provide \$61 million in FY 2004 toward this end.

Highlights of our FY 2004 budget request are provided in the sections below.

A. Current Readiness

The FY 2004 budget request builds upon the best successive two years in readiness budgets in more than a decade. It funds an OPTEMPO of 54.0 days per quarter for our deployed forces. This level supports the Global Naval Forces Presence Policy in terms of Carrier Battle Group (CVBG) and Amphibious Ready Group (ARG) availability as required by national security policy. However, accelerated deployment timelines and increased OPTEMPO will cause current year execution to run ahead of the existing plan.

Funding for ship maintenance will achieve more than 96% of the FY 2004 notional goal. This reflects a virtually identical posture as compared to last year, both in terms of percent accomplishment and quantity of backlog remaining. The aggregate level of funding for ship maintenance declines from FY 2003 to FY 2004, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, and in part to the accelerated retirement of our oldest, least capable, and most maintenance-intensive ships.

Accelerating the retirement of these ships was one of the most difficult decisions we made in building this year's budget. While aggregate warfighting capability is a better metric than the number of ships in our inventory, we recognize that below a certain threshold numbers do matter. However, our analyses indicate that the near-term inactivations we are proposing provide an acceptable level of risk without compromising our ability to accomplish our mission, and that the fastest and most efficient way to recapitalize and transform the Fleet is to pursue vertical cuts in our least capable type-model series, both in ships and in aircraft, and apply those savings toward procuring new ships and aircraft.

The growing sophistication of potential threats, increasing complexity of modern warfare, advances in training technology, and the development of new weapons and tactics require more capable training facilities and methodologies. Under the leadership of Fleet Forces Command, the Department has produced the Training Resource Strategy (TRS), a multi-year plan to improve inter-deployment training for CVBGs, ARGs and Marine Expeditionary Units (MEUs). The Department is committed to implementing and fully funding these improvements.

The training technology, range and facility improvements programmed via the TRS will ensure the long-term combat readiness and effectiveness of our deploying forces and

produce a training capability superior to that existing today. The FY2004 budget will ensure deploying forces are fully prepared for the challenges of armed conflict in the 21st Century.

Military lands and training ranges, including land, sea and air training and operating areas (OPAREAs) are necessary to ensure that realistic training opportunities exist to prepare our Sailors and Marines. Population growth, economic development, expansion of conservation and recreational areas, and urban and suburban sprawl, along with state and federal environmental laws and regulations, have significantly restricted the military's access to and use of military lands, training ranges, and at-sea OPAREAs. This "encroachment" has markedly restricted our ability to train realistically and, unless checked, promises to produce further restrictions.

Our goal is not to roll back environmental protection, but to ensure that our Sailors and Marines are properly trained. We owe these young people realistic, quality training before we send them in harm's way. We are not looking for an exemption for everything the military does, but rather for a scientific approach that achieves an appropriate balance between environmental concerns and unique military readiness needs. We remain committed to our long tradition of excellent environmental stewardship, and our FY 2004 budget will ensure our deploying forces are fully prepared for every challenge they may encounter.

B. Personnel Readiness

Our ships, submarines and aircraft have no "asset value" to the nation until manned by trained, educated, and motivated people. Sailors and Marines -- along with our civilian workforce -- remain the strong and steady foundation of our naval capabilities. The families of our service members also are vital to our readiness. It is a fact that we recruit Sailors and Marines, but we retain families, and we recognize that the effectiveness of our forces is dependent in large measure on the support they receive from their loved ones.

Over the past two years we realized significant gains in the manpower arena that translated directly into increased personnel readiness. In the process of maintaining an increased readiness posture while transforming Anti-Terrorism/Force Protection positions, Navy operated just below the Congressionally-allowed maximum end-strength flexibility in FY 2002. Doing so permitted us to sustain CVBG and ARG manning readiness near 100%. Our ability to surge deploy forces around the globe in response to recent events is testimony to the success of our personnel readiness posture. Over the course of FY 2003 and 2004, we anticipate end-strength will decrease slightly to reflect force structure changes.

Active Duty. The Navy and Marine Corps met recruiting and accession goals in 2002, and continue to attract America's finest young men and women to national service. The Marine Corps notched its seventh year of meeting monthly and annual recruiting goals. Navy achieved its recruiting goals for a fourth consecutive year. Both Services are well-positioned for success in meeting 2003 officer accession requirements. The Sailors and Marines entering active duty truly represent our country's best and brightest. In 2002, 92% of Navy's enlisted accessions were high school graduates (up from 90% in 2001), while the

Marine Corps accessions of high school graduates rose 1.3% to 97.5%.

Retention rates in 2002 remained at record levels, with 58% of eligible first-term Sailors deciding to "stay Navy." The Marine Corps met retention goals in 2002 in record time, achieving its highest occupational specialty match to date while also experiencing its highest officer retention rate in 18 years. Sailors and Marines have a sense of purpose and the desire to serve during this critical juncture in our nation's history. We provide them unique opportunities to grow professionally and personally, to achieve and be recognized, and to lead. They see improvements to their quality of service, and they appreciate the outstanding compensation and benefits provided to them and to their families. Our recruiting and retention success is reflected in the fully manned and operationally capable CVBGs and ARGs currently on station around the globe.

We are fully committed to providing the finest education and training for these bright young minds, as befits their place as future leaders of the Navy and Marine Corps. Graduation from "Battle Stations" or the "Crucible" is but the first step toward achieving the technologically advanced force required to conduct naval warfare in the 21st Century. Our "Revolution in Training" is establishing a career-long learning continuum, ensuring the continuous personal and professional development of every service member.

Successful as we are in attracting and retaining the best, we must not lose focus on people programs. Our immediate goals include:

- Increase Navy recruit high school graduation rates from 92% to 94%. Marine Corps recruit high school graduation rates are currently between 97% and 98%;
- Increase the percentage of enlisted Navy recruits with previous college experience or technical/vocational training;
- Continue the Training Transformation started by Navy Task Force EXCEL (Excellence through Commitment to Education and Learning), and Marine Corps training continuum synchronization, including partnering with industry and academia to impart individual training and education;
- Continue to develop a live, virtual and constructive training environment both within the Department and for use in conjunction with the Joint National Training Capability; and
- Explore innovative manning initiatives such as the Optimum Manning program, which relies on new technologies and creative leadership to reduce ship manning.

Congressional support for a targeted pay raise in FY 2004, which recognizes and reaffirms the value of our career force, is critical to staying the course. So, too, is continuing the reduction of out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. Selective Reenlistment Bonus remains an important tool for retaining our critical skill personnel.

Reserves. Our reserve community remains an integral part of our Navy and Marine Corps team, with 88,000 Naval Reservists and 40,000 Selected Marine Corps Reservists serving today. The seamless integration of the reserve and active components as a Total

Force in the Global War on Terrorism has been a resounding success. The dedicated service, invaluable resources, and selfless sacrifices to duty each of these "citizen Sailors and Marines" provides on a daily basis are integral to operational success. We have recalled over 15,000 Navy and Marine Corps Reservists as of mid-January 2003. These patriots have provided force protection, staff augmentation, intelligence, and warfighting skills to the Nation's war efforts.

The Naval Reserve constitutes 19% of the Navy's Total Force. In 2002 the Naval Reserve met both its officer and enlisted recruiting goals, the result of significant recruiting program efforts. These reserve forces provide our inter-theater airlift, harbor defense, Naval embarked advisory teams, and Naval Coastal Warfare capabilities. In addition, a large portion of the Navy's port cargo handling support, Mobile Construction Battalions, intelligence, and medical capabilities are resident in the reserves.

The Selected Marine Corps Reserve comprises nearly 25% of the Marine Corps' warfighting capability, with an additional 58,000 Marines serving as Individual Ready Reservists (IRRs). The Marine Corps Reserve's contribution to the Global War on Terrorism continues with individuals and units mobilized to provide a wide variety of support. The additional mobilization of hundreds of Individual Mobilizations Augmentees and IRRs provided a critical surge of ready expertise and staff augmentation to warfighting commands, both Joint and Marine.

Civilian Personnel. The civilian workforce, currently totaling approximately 186,000, forms an essential role as part of our Total Force. Hard-working and dedicated civilian employees can be found in every major command, working alongside our Sailors and Marines, performing the vital work of the Department. We continually refine and shape this vital work force for current and future missions. Twenty-one civilian occupational groups are targeted specifically for intensive active management. These include science and engineering, logistics, contracting, human resources, and financial management. Just as it is essential to recruit and retain the very best Sailors and Marines, it also is essential to recruit and retain the best and brightest civilians. We are in a competition for talent, and your support for a flexible set of civilian human resource management tools will enhance our efforts to hire, develop, and retain this quality work force.

C. Shipbuilding

The FY 2004 budget request provides funding for seven new construction ships, the final two of four planned SSBN-to-SSGN conversions, and the first ship in our Cruiser Conversion program. In all, our shipbuilding program includes \$11.4 billion, a significant increase above last year. Additionally, we invest more than \$1.5 billion for Research and Development (R&D) in transformational shipbuilding programs such as CVN-21, DD(X), LCS and SSGN, discussed later in this statement. The seven new ships include:

- Three ARLEIGH BURKE Class (DDG-51) destroyers. These ships are being procured as part of a multi-year procurement (MYP) of 10 DDG-51 ships over the period FY 2002 through FY 2005. In addition to the cost savings from this MYP,

the Navy and its two principal DDG builders successfully negotiated a workload swap arrangement in June 2002 in which General Dynamics' Bath Iron Works will transfer LPD-17 ship construction work to Northrop Grumman Ship Systems in exchange for additional DDG-51 work. This arrangement will optimize production efficiencies and stabilize workload at all shipyards building DDG-51 and LPD-17 Class ships.

- One VIRGINIA Class (SSN-774) fast attack submarine. The FY 2004 ship marks the initial year of a seven-ship, five-year MYP that will achieve significant savings while increasing submarine procurement to two per year starting in FY 2007. The first VIRGINIA Class submarine (SSN-774) will deliver in June 2004.
- One SAN ANTONIO Class (LPD-17) amphibious transport dock. The FY 2004 budget provides full funding to procure the sixth ship of this class. The program is on track, and represents an urgently needed contribution to the Marine Corps' amphibious lift requirements.
- Two LEWIS AND CLARK Class (T-AKE) auxiliary cargo and ammunition ships. FY 2004 funding procures the fifth and sixth ships of this class to continue recapitalization of our support fleet. Delivery of the lead ship is expected in FY 2005.

Beginning in FY 2004, the Cruiser Conversion Program will provide selected TICONDEROGA Class Aegis-equipped cruisers with essential land attack, force protection, and Area Air Defense Commander capabilities, extending their mission-relevant service life to 35-plus years.

Beyond the new construction ships and conversions, the FY 2004 budget request provides additional incremental funding for LHD-8, service life extension for three Landing Craft Air Cushioned, and initial R&D efforts on the LHA Replacement (LHA(R)), scheduled for procurement in FY 2007. In LHA(R) the Department is pursuing a far more capable replacement for aging amphibious ships such as the LHA. While the initial stages of design move forward, LHA(R) will offer many improvements over the LHA it will replace, and will set the stage for further development toward a new design that could offer capabilities such as concurrent flight operations of helicopters and fixed wing aircraft.

D. Aircraft

The Department's FY 2004 budget maximizes the return on aviation investment, primarily through the use of MYP arrangements for the F/A-18E/F (both airframe and engine), the E-2C, and the MH-60S. We also have agreed to enter a joint MYP contract with the Air Force to procure KC-130Js to replace the Marine Corps' fleet of KC-130F/Rs. In all, the FY 2004 budget procures 100 new aircraft, including:

- 53 tactical, fixed wing aircraft (42 F/A-18E/F, 2 E-2C and 9 MV-22);
- 28 helicopters (13 MH-60S, 6 MH-60R and 9 UH-1Y / AH-1Z);

- 16 trainer aircraft (15 T-45 and 1 T-39); and
- 3 support aircraft (2 UC-35 and 1 C-40A)

The F/A-18E/F Super Hornet is the Navy's principal tactical aviation recapitalization program until we get to the JSF. The FY 2004 budget includes \$3.0 billion for 42 planes, which constitutes the final installment of an FY 2000 – FY 2004 MYP contract. Deliveries remain ahead of schedule, and the first squadron of F/A-18E/F recently conducted combat operations aboard USS ABRAHAM LINCOLN (CVN-72). Of note, a variant of the F/A-18 airframe, the EA-18G Growler, has been selected as the Navy platform to replace the aging EA-6B Prowler. By using a common airframe, the EA-6B follow-on will deliver at lower cost while providing growth potential for improved future electronic warfare systems. The Marine Corps expects to fly the EA-6B (ICAP III) until approximately 2014 to 2015 before transitioning to a new Electronic Attack aircraft.

Based on successful flight testing results, the Department felt confident to continue the minimum sustaining rate for the V-22 Osprey program and has requested nine MV-22s along with two CV-22s requested by the Air Force. Additionally, FY 2004 funding supports key elements of the Department's helicopter master plan. We have requested procurement of 13 MH-60S platforms (organic mine countermeasures, combat search and rescue, special operations and logistics missions) and 6 MH-60R platforms (tactical support missions for surface combatants and aircraft carriers). Together, these will continue replacing the Department's aging fleet of H-46, SH-3, SH-60B and SH-60F helicopters. FY2004 will mark the first year of procurement in the AH-1Z/UH-1Y program. These aircraft improve many capabilities for the Marine Corps, including increased payload, range and time on station, improved sensors and lethality, and 85% component commonality.

E. Weapons

The FY 2004 budget request supports the Department's objective to develop, upgrade and replace weapons and weapon systems to ensure we maintain our warfighting edge.

Our precision guided munitions inventory will continue to improve in FY 2004 as the Tactical Tomahawk (TACTOM) system ramps up to full rate production. TACTOM will accelerate the transition of our land attack missile inventory from the older Tomahawk Land Attack Missile to the newer, more capable, less costly TACTOM. The budget request sustains the maximum Department of the Navy production rate for the Joint Direct Attack Munition of 1,000 units per month while procuring over 5,000 Laser Guided Bomb kits. Production of the Joint Standoff Weapon (JSOW) baseline variant (dispenser) increases in FY 2004, and the JSOW unitary variant (penetrator) enters full rate production.

Several land attack R&D efforts central to future littoral warfare continue in FY 2004. Advanced naval gun technologies will enhance fire support to Marines operating ashore. Evolving toward a FY 2005 "shoot-off," either the Extended Range Guided Munition or the Autonomous Naval Support Round will enhance the range and accuracy of Navy 5-inch guns. The Advanced Gun System will provide the next generation of surface combatants with a modular, large caliber gun system including an automated magazine handling system.

F. Key Warfighting “Core Competencies”

While the FY 2004 budget request devotes a significant amount of resources toward recapitalizing and transforming to meet future requirements, it also provides solid support for our longstanding naval “core competencies” of Anti-submarine Warfare (ASW), Mine Warfare (MIW), Ship Self Defense (SSD) and Air Defense (AD).

ASW. ASW remains a challenging mission area, particularly in the shallow water littoral regions populated by modern, quiet submarines. The FY 2004 budget request supports numerous improvements in ASW. The Improved Extended Echo-Ranging is incorporated into the USQ-78B Acoustic Processor, which will improve large area acoustic search capability on our Maritime Patrol Aircraft. Further enhancements to our capability for large area search will be provided by acquiring the Automatic Periscope Detection and Discrimination system. Additionally, the capability for our surface combatants to survive attacks from threat torpedoes will be enhanced through the Surface Ship Torpedo Defense effort. The success of the Acoustic Rapid COTS Insertion (A-RCI) program in providing significant improvement in ASW sensor processing for our submarine force has spawned similar efforts in submarine combat control, communications, and upgrades to the surface fleet’s SQQ-89 combat suite. These programs validate the Navy’s decision to use commercially available technology to deliver superior performance at less cost.

MIW. The Navy continues to make advances in MIW capabilities, and our emphasis on organic capabilities to counter the growing mine threat is enhancing our ability to “get to the fight.” The FY 2004 budget continues the development and acquisition of the Long-Term Mine Reconnaissance System (LMRS), which is on track for an FY 2005 IOC on LOS ANGELES Class submarines. LMRS will provide a clandestine reconnaissance capability for mines and mine-like objects. The FY 2004 budget also includes funding for the development and acquisition of the Remote Mine-hunting System (RMS), a surface ship – launched and recovered semi-submersible vehicle. RMS has an FY 2005 IOC with near-term fielding planned for DDGs 91-96. RMS also is a strong candidate for future deployment on the Littoral Combat Ship (LCS). To meet the Department’s goal of an organic mine warfare capability by FY 2005, the FY 2004 budget continues the development and integration of five Organic Mine Subsystems into the MH-60S platform.

SSD. We continue to invest in upgrading our Ship Self Defense programs. FY 2004 funding covers the spectrum from electronic countermeasures to missiles to guns. The Surface Electronic Warfare Improvement Program (SEWIP) is a spiral development effort initiated to provide a robust, full spectrum electronic warfare system following cancellation of the Advanced Integrated Electronic Warfare System in FY 2002. SEWIP will build on the legacy SLQ-32 system to field capabilities against next-generation threats. The current budget expands procurement of the Close-in Weapons System, Block 1B. The internationally-procured Rolling Air Frame Missile will provide ship self-defense against missiles as part of a layered defense. Additionally, we are pursuing installation of minor caliber guns on our deploying ships to improve our ability to counteract a small boat threat in the 0 to 8,000 yards range. We soon will install stabilized minor caliber guns on two DDGs.

AD. The FY 2004 budget requests funds to develop the Extended Range Active Missile (ERAM). ERAM will enable over-the-horizon engagements against the most advanced anti-ship and land attack cruise missiles, and represents an important step in projecting area defense landward from the sea.

G. Maneuver Warfare

The FY 2004 budget supports the continued development and fielding of all equipment used by the Marine Corps' maneuver forces. This year we identify approximately \$340 million for R&D and procurement of the Advanced Amphibious Assault Vehicle (AAAV). Last year we procured the first AAAV, which will serve as a full-up system, live-fire test vehicle. We will procure 186 systems over the remainder of the FY 2004 – FY 2009 program. Scheduled for IOC in FY 2008, the AAAV will provide a unique combination of offensive firepower, nuclear-chemical-biological protection, and high speed mobility on land and on sea.

The FY 2004 budget will fund the next 60 Lightweight 155mm (LW155) Howitzers. These units will provide significant improvements in Marine Corps fire support over the current M198 system. Compatible with all U.S. and NATO 155mm rounds, the smaller footprint of the LW155 will reduce strategic sealift requirements while providing improved accuracy and greater lethality.

H. C4I , Space and Network Initiatives

The Department's Command, Control, Communication, Computers, and Intelligence (C4I) and space programs are an integral part of network centric operations, enhancing the combat capability of our Naval Forces and serving as critical enablers of a transforming Navy and Marine Corps. Our concept of Information Technology for the 21st Century (IT-21) is providing a common backbone for C4I systems to be linked afloat, ashore, and to the Internet. IT-21 combines satellite and line-of-sight communication paths with commercial IT hardware and software to establish secure and unclassified Internet Protocol network connectivity for ashore and mobile Naval forces. This is a critical first step toward transformational network centric operations.

Our next major objective is to integrate the successes of IT-21 and incorporate them across the full spectrum of naval operations to achieve significant improvement in knowledge management and operational performance. This full dimensional approach, called FORCEnet, will provide the operational construct and architectural framework for naval warfare in the information age. We will address FORCEnet in greater detail later in this statement.

Support from space is essential to many Navy and Marine Corps operations today, and grows increasingly important as the force becomes more network centric. The FY 2004 budget supports the Department's expanding efforts in space, including assured, high data

rate satellite communications, precision navigation and targeting, intelligence, surveillance and reconnaissance systems and environmental support.

The FY 2004 budget continues critical enhancements that will provide our forces with a common tactical picture. Cooperative Engagement Capability (CEC) will provide real time exchange of fire control quality data between battle force units and will permit a single, identical tactical picture. The Block 2 version will reduce cost, size and weight, with procurement beginning in FY 2006. The Naval Fires Control System and Joint Fires Network will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.

The Navy/Marine Corps Intranet (NMCI) serves as the principal element of the IT-21 effort ashore and is a key enabler of IT transformation. Business Case Analyses conducted over the last two years have demonstrated that the NMCI strategy, characterized by having a single private sector entity provide IT services under a long-term commercial seat management contract is, in fact, a sound business decision compared to the way IT requirements previously were satisfied. Last year Congress approved a two-year extension to the base performance period of the original NMCI contract, extending coverage through FY 2007. FY 2004 funding of \$1.6 billion continues user seat roll-out and cutover to the NMCI architecture, progressing toward a target end-state of 365,700 seats.

I. Missile Defense Initiatives

The Department of the Navy is poised to contribute significantly in fielding initial sea-based missile defense capabilities to meet the near-term ballistic missile threat to our homeland, our deployed forces, and our friends and allies. We are working closely with the Missile Defense Agency (MDA) to upgrade six DDGs in calendar year 2004 and another six in calendar year 2005 for ICBM surveillance and tracking duties. We also are supporting MDA's procurement of up to 20 Standard Missile interceptors to provide a limited at-sea capability to intercept ballistic missiles in the ascent and mid-course phases of flight. Finally, USS LAKE ERIE (CG-70) will be assigned to MDA to facilitate a more robust testing program for missile defense. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes to accelerate development of this vital capability for our Nation.

J. Shore Infrastructure

The Department remains dedicated to maintaining and improving the quality of our support to Sailors and Marines. Maintaining and improving an aging infrastructure, while recapitalizing our operating forces, requires disciplined choices and innovative approaches.

The FY 2004 housing program continues the Department's course toward the goal of eliminating inadequate family housing by 2007. The Navy's three-pronged strategy of improving allowances to service members, privatizing, and continuing traditional military construction is proving very successful. Increased Basic Allowance for Housing (BAH) is

spurring local communities to provide necessary housing on the open market. Recent analysis shows we have reduced the total requirement for government furnished housing by over 9,500 units.

Public/Private housing ventures are allowing us to achieve more with less commitment of resources. In FY 2003 we will privatize over 10,400 homes in five locations; in FY 2004 we are increasing this by another 7,000 units. Where BAH and privatizing do not apply we are renovating or replacing our inventory.

We are building on our successes in Family Housing to help achieve our Homeport Ashore Program. Three bachelor housing Public-Private Venture (PPV) projects are being developed that could triple the number of spaces we would have been able to provide in San Diego, Norfolk and Camp Pendleton under traditional Military Construction.

The FY 2004 Military Construction and Sustainment program reflects difficult but necessary trade-offs between shore infrastructure and fleet recapitalization. The Department remains committed to achieving a 67-year recapitalization rate by FY 2008. In pursuing that goal we will explore innovative solutions to provide safe, efficient installations for our service members, including design-build improvements, more efficient facilities and BRAC land sales via the GSA Internet.

K. Business Practices

We have embarked on a mission to improve the business practices of the Department. Every dollar saved by working smarter or by ending outdated methods of operations is another dollar that can be used for our Sailors and Marines to equip, train or fight.

Information is key to improving the way we do business. Better information makes for better decision making, both on the battlefield and at the budget table. We have four pilot programs in place utilizing enterprise resource planning, or ERP, which aim to improve the quality of information available to our decision makers. These pilot projects will eliminate dozens of incompatible computer databases and the business processes that once supported those databases. Even more importantly, ERP should produce financial and managerial information that is more complete, more accurate and more timely. Our focus now is on converging these pilots to achieve even greater synergy of management information across a broader spectrum of the Department, and working with the Department of Defense Comptroller to ensure these efforts are advancing the uniform business management architecture under development.

In addition to better information, we need flexible and innovative tools to help manage the Department. Some of these tools, like strategic sourcing, are being used already. Competition helps achieve the best quality support to the Sailor and Marine at the lowest possible cost by introducing the discipline of the marketplace. The acquisition process still needs considerable reform. We owe it to every Sailor and Marine to ensure that today's technology arrives in their hands today, not tomorrow. It still takes too long from lab to live

fire. Finally, the Navy and Marine Corps need better tools to recruit and manage the civilians who support our warfighter.

IV. Naval Power 21: A Transformational Vision for the 21st Century

Fundamentally, our Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea. Our vision, Naval Power 21, is built upon three pillars:

- We assure access. We assure sea-based access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts.
- We fight and win. We project power to influence events at sea and ashore both at home and overseas.
- We are transforming continually to improve. We are transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education and our approach to people.

Although the Navy and Marine Corps team remains the greatest maritime force in the world, the emerging challenges of the 21st Century demand a joint, netted, power projection force that offers modern and ever-evolving combat capability. Together, under the supporting service visions of Seapower 21 and Marine Corps Strategy 21, we will provide funding for a full array of transformational initiatives in our R&D, investment and operational programs. Evidence of the scope and magnitude of these changes is highlighted by our transformation:

- from a single new class of destroyer to a family of surface combatants tailored for the full range of 21st Century missions;
- from a Cold War force of 18 SSBNs to a 21st Century force of 14 SSBNs and 4 SSGNs;
- from evolutionary aircraft carrier improvements to the revolutionary promise of CVN-21;
- from no ballistic missile defense (BMD) capability to limited sea-based BMD capability; and
- from competing Navy and Marine Corps tactical aviation to an integrated Naval tactical aviation.

A. Transformational Capabilities to Assure Access and Project Power

The Navy and Marine Corps continue to meet the imperative of transformation. Our “way ahead” for the future capitalizes on transformational ideas that facilitate our recapitalization goals. The FY 2004 budget request includes funding for initiatives in shipbuilding, aviation and C4I that promise dramatic improvements in assuring access and projecting power.

In shipbuilding, we are fulfilling the President's stated goal to "skip a generation" of technology by restructuring our previous two-step (CVNX-1 and CVNX-2) evolutionary acquisition approach into a single transformational ship design that accommodates continuous evolution through the life of the class. The new design, named CVN-21, sustains the original development and construction schedule from CVNX-1, but accelerates many critical technologies previously planned for the second step ship, CVNX-2. CVN-21 will feature a new propulsion plant, a greatly expanded electrical generation and distribution system, a new/enlarged flight deck, an improved sortie rate generation over CVNX-1, an electro-magnetic aircraft launching system (EMALS), a new advanced arresting gear, improved weapons and material handling systems, and improved survivability features – all with 800 fewer crew members. In support of this technology acceleration we have added significant funding across the FY 2004 to FY 2009 program while providing \$1.5 billion in FY 2004 alone.

The centerpiece warship of our future surface combatant "family of ships," the DD(X), is on track to move to an initial construction contract award in FY 2005. FY 2004 funding of \$1.05 billion will enable further development of key electric drive, power grid, and combat system components. Through a spiral development acquisition process, DD(X) will be the principal technology engine that will feed the entire family of ships.

The FY 2004 budget requests approximately \$160 million in R&D to begin moving out with the next member of our future surface combatant "family of ships," the Littoral Combat Ship (LCS). A networked, lethal, small, fast, stealthy, and highly maneuverable ship, LCS will be designed from the keel up as a focused mission ship capable of employing manned and unmanned mission modules to counter some of the most challenging anti-access threats our naval forces may encounter close to shore – mines, quiet diesel submarines and swarming small boats. Last year, we continued experimenting with a range of innovative hull forms, and the Congress supported us so we could get the program moving this year, avoiding a critical one-year delay. The FY 2004 effort will be aimed at defining requirements, improving our knowledge base for selecting an LCS design, and beginning mission module development.

The FY 2004 budget request contains nearly \$1.2 billion for SSBN-to-SSGN conversion. This effort will provide a near-term transformational capability to the Nation by removing four OHIO Class submarines from their strategic mission, refueling their reactors to permit an additional 20 years of operation, and converting them into conventional strike platforms capable of carrying more than 150 Tomahawk missiles and deploying over 60 special operations forces. Funding to commence the first two conversions was provided in FY 2003; this year's request supports beginning the final two conversions.

The FY 2004 budget provides \$2.2 billion to accelerate development of the Joint Strike Fighter (JSF), a stealthy, multi-role fighter aircraft designed to be an enabler for Naval Power 21. JSF replaces the Navy's F-18A/C Hornet variants and the Marine Corps' AV-8B Harrier and F/A-18C/D Hornet while complementing the Navy's F/A-18E/F Super Hornet. JSF offers dramatic improvements in affordability and supportability. It has completed all major milestones to date on time, and remains on track to IOC for the Marine Corps in 2010

and for the Navy in FY 2012.

A critical enabler of transformational intelligence, surveillance and reconnaissance, the E-2C Advanced Hawkeye Program will provide a robust overland capability against current and future cruise missile-type targets. The FY 2004 budget invests over \$350 million for continued development. IOC is planned for FY 2008 with a total procurement of 66 systems.

As the Global War on Terrorism has demonstrated, unmanned technology will play an ever-increasing role in the battleground of the 21st Century. The Department's FY 2004 budget invests more than \$300 million across a series of Unmanned Aerial Vehicle (UAV) programs, including Tactical UAVs, Maritime Surveillance UAVs and an Unmanned Combat Air Vehicle (UCAV) initiative, developed in partnership with the U.S. Air Force. Beneath the sea, we will invest more than \$80 million in Unmanned Undersea Vehicles (UUVs) that are being developed to enhance capabilities in minefield reconnaissance and other submarine missions.

B. Transformational Organizations and Operational Concepts

Beyond pure technology, transformation also includes revolutionary methods for achieving dramatically greater utility out of our existing assets. The Department's initiative to integrate its tactical aviation capabilities is one such transformational story. Navy and Marine Corps Tactical Air Integration will maximize forward deployed combat power and optimize the core capability of naval aviation forces. Its positive impact will be felt across the Department's entire tactical aviation enterprise, from leaner, more capable fighting formations to streamlined procurement requirements (tactical and training) to manpower savings. In total, this innovative program promises to save \$975 million over the FY 2004 – FY 2009 program and provide approximately \$19 billion in cost avoidance from FY 2007–FY 2012.

To support the ability of forward based naval forces to respond to a host of scenarios, the Navy and Marine Corps are exploring more robust strike capabilities for the ARG/MEU team. The Expeditionary Strike Group pairs the traditional ARG with surface combatants and an SSN so the force has greater capability to conduct independent operations in the “deter” and “swiftly defeat” scenarios outlined in our defense strategy.

FORCEnet is the Department of the Navy's catalyst for operational transformation. In the realm of network centric warfare and operations, it will enable orders of magnitude increases in combat power to ensure decisive influence and warfighting success across the full spectrum of military operations in the information age. FORCEnet is not a system. It is the architecture by which we will integrate our sensors, networks, decision aids, weapons and warfighters into a networked, distributed combat system, scalable across the entire range of conflict from seabed to space and sea to land. Leveraging powerful network infrastructure ashore, including NMCI and the various constituents of IT-21, with legacy and developing tactical networks at sea, including those as diverse as CEC, Joint Fires Network and the E-2C Advanced Hawkeye Program, FORCEnet will bring a dramatically expanded “toolbox” of

capabilities to the joint warfare commander. Through FORCEnet the Navy and Marine Corps will transform to a joint, netted, distributed and forward stationed force.

C. Transformational Initiatives for our People

Sea Warrior is the process of developing 21st Century Sailors. Curriculum Mapping is the Marine Corps equivalent. These initiatives identify the knowledge, skills, and abilities needed for mission accomplishment; apply a career-long training and education continuum; and employ a responsive, interactive career management system to ensure the right skills are in the right place at the right time.

Modern Naval Forces are manned by streamlined teams of Sailors and Marines who fight and manage some of the most complex systems in the world. We need Sailors and Marines who are highly educated and expertly trained. They must be creative thinkers and life-long learners, and it is for them that we undertook the Revolution in Training. They also deserve a human resource management and detailing system that provides information and choice, both to the Sailor and gaining commands, so that informed career decisions can be made. To this end, we are moving toward an interactive and incentivized distribution system that includes team detailing, web job listings, an information call center, and comprehensive and extensive engagement of our detailers with individual Sailors to help shape their careers.

At sea, we are exploring two initiatives that promise a revolution in the way we man our ships. First, we have begun an "Optimal Manning Experiment" on board USS MILIUS (DDG-69) and USS MOBILE BAY (CG-53) to develop a more efficient model for the shipboard manning requirements of the 21st Century. Also, we have begun a crewing experiment, entitled "Sea Swap," in which we will deploy two destroyers for 18 months consecutively, rotating the entire crews at six-month intervals. This initiative will realize significant operational savings by avoiding multiple six-week transits to and from the deployed operating areas.

D. Transformational Initiatives for Doing Business

Our ability to recapitalize and transform stems in large measure from a vigorous divestiture program that forced us to make hard choices across every facet of the Department's operations. We looked hard at older systems with their limited capabilities and high infrastructure costs (maintenance, parts, training, etc.) and ultimately decided to accelerate retirement of 11 ships and 70 aircraft. We reorganized and then reduced the Secretary of the Navy Headquarters Staff by 25 %. We divested ourselves from more than 50 systems and eliminated 70,000 legacy IT applications from an original baseline of 103,000. In the aggregate, these difficult decisions yielded \$1.9 billion for reinvestment in higher priorities.

In addition to divestiture initiatives, we are transforming the way we manage the entire Department's internal affairs. Perhaps nowhere is this more evident than in our shipbuilding programs. Instead of locking ourselves into "pre-ordained obsolescence" through rigid designs for hull, combat and information systems that take years to execute, we

are capitalizing on computer-aided, design-build strategies in which we harvest commercial, "state-of-the-art" technologies and insert them at the optimum time as the construction process moves from hull to combat system suite to information systems. We have undertaken some remarkable initiatives within our acquisition community that have stabilized key industrial bases, expanded our ability to capitalize on the best commercial practices, and laid a strong foundation for controlling the costs of our major acquisition programs.

We are working with industry as partners across the full breadth of our shipbuilding programs. The tri-partite agreement between Navy, General Dynamics and Northrop Grumman stabilized both our DDG-51 and LPD-17 programs, avoided a "second lead ship" challenge for the LPD program, and produced savings sufficient to purchase a third DDG in FY 2004 and FY 2005. We are working with the software industry to open all Navy architectures. These efforts are intended to lead to the development of a truly open architecture that can be shared between all of our current and future combatant ships. Finally, we have imposed a discipline on ourselves that severely limits change during the critical phases of our major shipbuilding programs. This discipline also has been implemented in the JSF program through a configuration steering board. By controlling the scope and timing of change, we hope to implement necessary changes in our programs in a planned fashion where we know what it will cost and how we will install it in the most economical manner.

Through these transformational business initiatives and others, our Department will emerge with an optimal force structure; a healthy industrial base and an efficient and appropriately sized infrastructure.

V. The Way Ahead: Positioning Today's Navy and Marine Corps for Tomorrow's Challenges

Although the Global War on Terrorism is closer to the beginning than the end, our Navy and Marine Corps, as members our nation's joint battle force, have disrupted terrorist networks and freed the people of Afghanistan. Our Nation can take pride that, in 2002, the Navy-Marine Corps Team continued its record of combat excellence, improved operational readiness and retained our magnificent people at historic rates.

Much has been accomplished, but much remains to be done. The Department's FY 2004 budget request positions today's Navy and Marine Corps to support tomorrow's joint warfighting environment by sustaining hard-fought advances in personnel and operational readiness, investing in critical shipbuilding and aircraft programs, fueling transformational capabilities, and building a global, agile and fully networked force. As our Navy and Marine Corps Team confronts a future with challenges already visible on the horizon, we thank you for your terrific support of our Naval Forces, and urge your continued support for the course upon which we have embarked to fight and win our nation's wars while preparing to meet the demands of an uncertain tomorrow.

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HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
ADMIRAL VERN CLARK, U.S. NAVY
CHIEF OF NAVAL OPERATIONS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
26 FEBRUARY 2003

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today. The investment you've made in America's Navy has been vital to the nation's security and your Navy's ability to project more power, more protection and more freedom to the far corners of the earth. I speak for the entire Fleet in thanking you for your exceptional and continuous support.

I: Your Navy Today - Enhanced Capabilities for the Joint Force

This is a time of tremendous challenge and accomplishment for our Navy. Our men and women operating in the air, on and under the sea, and on the ground are at the leading edge of the Global War on Terrorism.

Today, there are 151 ships on deployment, fully half of the Navy; this includes six of twelve aircraft carriers, and eight of our twelve big deck amphibious ships (LHA/LHD). They are deployed in support of the nation's interests in the Persian Gulf, the Mediterranean, the Indian Ocean and the Western Pacific. Still others are preparing for deployment or continuing operations like strategic deterrent and counter-drug patrols in support of other national imperatives.

Aircraft Carrier Battle Groups



6 of 12 Carriers are forward deployed

The Navy's Military Sealift Command (MSC) is also actively engaged in supporting the war on terrorism; today, almost 75 percent of MSC's total force is carrying combat equipment for land-based forces and logistics support for Navy carrier battle group and amphibious ready groups. 19 of our 20 large, medium-speed roll-on/roll-off ships (LMSRs), all eight fast sealift ships, and half of our 72 ship Ready Reserve Fleet are actively supporting the joint force.

These forces are operating with purpose, leading the defense of the United States away from our own shores and our own homes. After all, this new century is fraught with profound dangers: rogue nations in possession of weapons of mass destruction, potential conflict between regional competitors, widely dispersed and well-funded terrorist organizations, and failed states that deliver only tyranny and despair to their people.

We frequently talk about the asymmetric challenges such enemies might present, assuming these advantages belong only to potential adversaries. Your Navy possesses asymmetric strengths all its own: its persistence, precision, independence and agility are but a few.

More importantly, our naval strengths are critical to our joint combat effectiveness. Our forward deployed, combat ready naval forces - sustained by naval and civilian shipmates around the world - are proving every day the unique and lasting value of sovereign, lethal forces projecting offensive and defensive power from the sea.

There are numerous recent examples of the enhanced capability our Navy brings to the joint force.

- In Operation ENDURING FREEDOM, Navy aircraft carrier-based tactical aircraft and long range, land-based Air Force tankers and bombers combined with Navy SEALs on the ground and Army Special Forces on horseback to deliver devastating strikes on Taliban and Al Qaeda targets in Afghanistan. Since then, our newest combat aircraft, the F/A-18 E/F Super Hornet, has been flying combat sorties from the USS ABRAHAM LINCOLN in Operation SOUTHERN WATCH, demonstrating its increased range and payload capability. In combination with Tomahawk missiles from widely dispersed ships and submarines, this joint power projection force gives the nation the ability to reach across the globe with precise, persistent striking power.

- The PELELIU and BATAAN Amphibious Ready Groups, operating in the Arabian Sea, launched and sustained Marines from the 15th and 26th Marine Expeditionary Units more than 450 miles inland at "Camp RHINO," to support the initial forward operating base in Afghanistan. This was the longest-range expeditionary airfield seizure operation ever launched from amphibious ships at sea. During the same timeframe, the carrier KITTY HAWK also provided an agile, sovereign Afloat Forward Staging Base (AFSB) for joint Special Operations Forces and their lift, attack and command and control assets. Permanently installed command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) suites and information technologies on all these ships enhanced the entire joint team's knowledge superiority picture and connected these joint forces with other forces and commands in the theater and around the world; all from the security our ships enjoy in the maritime domain.

- The AEGIS cruiser USS LAKE ERIE (CG 70) completed three medium range ballistic missile defense tests last year, successfully acquiring, tracking and hitting target ballistic missiles in the mid-course or ascent phases with a Standard Missile 3 (SM-3) in all three tests. LAKE ERIE and the AEGIS destroyer USS JOHN PAUL JONES also supported three successive Missile Defense Agency intercontinental class ballistic missile tests; the AEGIS system performed exactly as predicted in each of these tests, acquiring the targets immediately and passing high fidelity digital track data to national nodes ashore. These cruisers' and destroyers' organic AEGIS Weapons System and their SPY-1 multi-function, phased array radars, demonstrate the capability and capacity to conduct a sea based missile defense against those ballistic missiles that can target our homeland, allies, forward operating bases, and joint forces ashore. They could also provide important surveillance and cueing of intercontinental class weapons directed at our homeland.

- The Navy's Military Sealift Command, is actively providing combat logistics support to US Navy ships; is prepositioning joint military supplies and equipment at sea; and is providing sealift and ocean transportation of defense cargo. MSC's high quality shipping, augmented by charters, continues its sealift of the Army's 3rd and 4th Infantry Divisions, the 82nd and 101st Airborne Divisions, and V Corps. Fifteen of our deployed Maritime Prepositioning Ships (MPS) provide the majority of combat supplies and equipment for our Marine force, and eleven of these have already offloaded equipment in support of contingency operations. MSC is also delivering fuel and aviation support equipment and supplies to deployed Air Forces.

In short, 95% of all equipment and supplies needed by U.S. forces in time of crisis moves by sea on MSC controlled ships.

- The USS FLORIDA (SSBN 728), an Ohio-class fleet ballistic missile submarine, successfully launched two Tomahawk missiles, confirming the ability to launch a Tomahawk from a configuration similar to the tightly packed cluster of Tomahawk All-Up-Rounds (AUR) we will use in the SSGN. This experiment was conducted in support of the SSGN program's Sea Trial experiment, Giant Shadow, which also explored how a network of forces, including special warfare forces, and various unmanned aerial, underwater and ground vehicles and sensors could be used to provide surveillance, collect real-time intelligence, and develop and launch a time critical strike in support of the joint force commander. This included the first vertical launch of a UUV, testing of nuclear-biological-chemical sensors, and the insertion of SEALs from one of the submarines we will convert to an SSGN.

These examples represent the return on investment the American people have made in our Navy: an agile, connected fleet that enhances deterrence, sustains our access, conducts precision strikes, exercises joint command and control, enhances knowledge superiority, responds to crisis, projects, sustains and operates with the joint force ashore, and leverages the priceless advantage of our command of the seas. It is why we are a critical component of the nation's joint defenses in peace, in crisis, and in conflict.

None of the foregoing would be possible without the energy, expertise, and enthusiasm of our active and reserve Sailors, and our Marine and civilian shipmates in the Department of the Navy. After all, it is people that put capability to practice, and it is their dedicated service that makes these capabilities ready - around the world and around the clock.

II: A Culture of Readiness - A Commitment to Transformation

This century's dangerous and uncertain strategic environment places a premium on credible combat forces that possess speed of response, immediate employability, and the flexible force packaging that brings the right capability to bear at the right time. It demands forces that can pair this capability with readiness, both today and in the future.

Readiness is the Navy's watchword. Readiness is the catalyst that brings combat power, speed of response, and the ability to disrupt an enemy's intentions in both crisis and conflict. Readiness brings capability to bear wherever and whenever it is needed. We are making readiness a key element of our Navy's culture.

The forces we've placed forward today - the six carrier battle groups - the three Amphibious Ready Groups, the Amphibious Task Forces comprised of fourteen additional amphibious ships, and the eleven offloaded Maritime Preposition Ships all supporting a Marine Expeditionary Force of 50,000 Marines - our multi-mission surface ships and submarines - the dozens of Military Sealift Command ships transporting the rest of the joint force - are the most ready force in our history; properly manned, superbly trained and well provisioned with ordnance, repair parts and supplies so they can provide both rotational deployment and surge capability. Our operational forces are ready earlier and are deploying at a higher state of readiness than ever before.

A greater percentage of our ships are underway today than at any time in the last dozen years. Our ability to do so is the direct result of two things: the investment of the American people and the extraordinary commitment and accomplishment of our men and women in the Navy this past year. We made a concerted effort in last year's budget request to improve our current readiness and reduce our immediate operational risk and I am proud to report to you today that this force is ready to fight and win!

At the same time, it is apparent that the 21st century sets the stage for tremendous increases in precision, reach, and connectivity, ushering in a new era of joint operational effectiveness. We clearly will be able to integrate sea, land, air, and space through enhanced network technology to a greater extent than ever before. And in this new, unified battlespace, the sea will provide the vast maneuver area from which to project direct and decisive power.

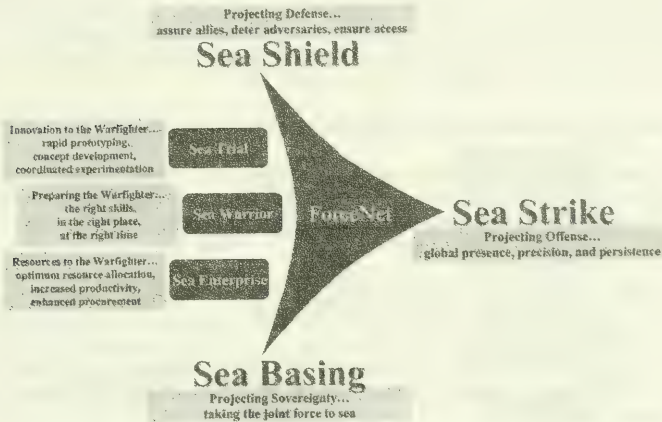
To navigate the challenges ahead and realize the opportunities, we developed this past year a clear, concise vision - **Sea Power 21** - for projecting decisive joint capabilities from the sea. It is a vision that stresses our asymmetric strengths of information dominance, advanced technology, and highly skilled and motivated professionals.

Sea Power 21 advances American naval power to a broadened strategy in which naval forces are fully integrated into global joint operations across this unified battlespace and against both regional and transnational aggressors. It provides the transformational framework for how we will organize, align, integrate, and transform our Navy to meet the challenges that lie ahead.

It also includes the transformed organizational processes that will accelerate operational concepts and technologies to the fleet; shape and educate the workforce needed to operate tomorrow's fleet; and harvest the efficiencies needed to invest in the Navy of the future.

The capabilities needed to fulfill this broadened strategy are grouped into three core operational concepts: **Sea Strike**, **Sea Shield**, and **Sea Basing**, which are enabled by **FORCENet**. The triad of transformed organizational processes that supports these concepts is: **Sea Warrior**, **Sea Trial**, and **Sea Enterprise**.

SEA POWER 21



Together, these concepts will provide increased power, protection, and freedom for America.

- **Sea Strike** is the projection of precise and persistent offensive power. Sea Strike operations are how the 21st century Navy will exert direct, decisive and sustained influence in

joint campaigns. Sea Strike capabilities will provide the Joint Force Commander with a potent mix of weapons, ranging from long-range precision strike, to clandestine land-attack in anti-access environments, to the swift insertion of ground forces.

- **Sea Shield** is the projection of layered, global defensive assurance. It is about extending our defenses beyond naval forces, to the joint force and allies and providing a defensive umbrella deep inland. Sea Shield takes us beyond unit, fleet and task force defense to provide the nation with sea-based theater and strategic defense.

- **Sea Basing** is the projection of operational independence. Sea Basing will use the fleet's extended reach of modern, networked weapons and sensors to maximize the vast maneuver space of the world's oceans. It is about extending traditional naval advantages to the joint force with more security, connectivity, and mobility from netted forces at sea.

- **FORCEnet** is the enabler of our knowledge supremacy and hence, Sea Strike, Sea Shield, and Sea Basing. It is the total systems approach and architectural framework that will integrate warriors, sensors, networks, command and control, weapons, and platforms into a networked, distributed force and provide greater situational awareness, accelerated speed of decision, and greatly distributed combat power.

Our transformed organizational processes are:

- **Sea Warrior** is our commitment to the growth and development of our Sailors. It serves as the foundation of warfighting effectiveness by ensuring the right skills are in the right place at the right time.

- **Sea Trial** is a continual process of rapid concept and technology development that will deliver enhanced capabilities to our Sailors as swiftly as possible. The Commander, U.S. Fleet Forces Command is leading this effort and developing new concepts and technologies, such as the Joint Fires Network and High Speed Vessels.

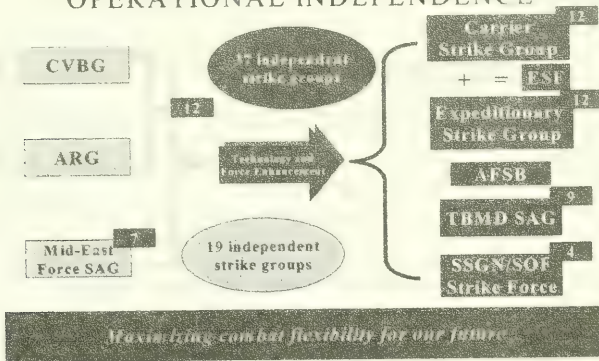
- **Sea Enterprise** is our process to improve organizational alignment, refine requirements, and reinvest the savings to buy the platforms and systems needed to transform our Navy. It is the means by which we will capture efficiencies and prioritize investments.

Sea Power 21 is dedicated to a process of continual innovation and is committed to total jointness. It extends American naval superiority from the high seas, throughout the littorals, and beyond the sea. It both enhances and leverages persistent intelligence, surveillance and reconnaissance capabilities and precision weaponry to amplify the nation's striking power, elevate our capability to project both defense and offense, and open the door to the afloat positioning of additional joint capabilities, assets and forces.

Sea Power 21 will extend the advantages of naval forces - speed of response, agility, immediate employability, and security - to the unified, joint warfighting team. It will increase our deterrence, crisis control and warfighting power. It will ensure our naval forces are fully integrated into global joint operations to bring more power, more protection, and more freedom to America.

We will put our Sea Power 21 vision into practice through a new **Global Concept of Operations** (CONOPs) to distribute our combat striking power to a dispersed, networked fleet. This will optimize our flexible force structure and create additional, scaleable, independent operating groups capable of responding simultaneously around the world. This distribution of assets will take us from 19 strike capable groups to 37 strike capable groups with the full implementation of the Global CONOPs.

OPERATIONAL INDEPENDENCE



- Carrier Strike Groups will remain the core of our Navy's warfighting strength. No other force package matches their

sustained power projection ability, extended situational awareness, and survivability.

- *Expeditionary Strike Groups* will augment our traditional Amphibious Ready Group/Marine Expeditionary Unit team with strike-capable surface combatants and submarines to prosecute Sea Strike missions in lesser-threat environments. When combined with a Carrier Strike Group, the resulting Expeditionary Strike Force will possess the full range of our netted, offensive and defensive power. We will deploy at least one pilot ESG this year.

- *Missile-Defense Surface Action Groups* will increase international stability by providing security to allies and joint forces ashore from short and medium range ballistic missile threats.

- Our future *SSGN* forces - specially modified Trident submarines - will provide large volume clandestine strike with cruise missiles and the capability to support and insert Special Operations Forces.

- An enhanced-capability Combat Logistics Force and Maritime Prepositioned Force will sustain a more widely dispersed and capable Navy/Marine Corps team.

It is our intention to continue to nurture this culture of readiness and invest in this vision in the years ahead.

III. Our FY04 Budget Request

This past year the Navy improved its current readiness by properly funding our current readiness accounts, deepening the growth and development of our people, and developing innovative operational concepts and capabilities.

This year, we intend to:

- ***Sustain our current readiness gains*** to support the war on terror;
- ***Deepen the growth and development of our people*** into the 21st Century, high-technology personnel force that is our future; and
- ***Invest in our bold new Navy vision -- Sea Power 21 -- to recapitalize and transform our force*** and improve its

ability to operate as an agile, lethal and effective member of our joint, networked warfighting team.

At the same time, we will continue to **actively harvest the efficiencies needed to fund and support these priorities** in both FY04 and beyond. Our Navy budget request for FY04 supports this intent and includes:

- 7 new construction ships, two more SSBN-to-SSGN conversions, one cruiser conversion and 100 new aircraft;
- Investment in accelerated transformational capabilities, including the next-generation aircraft carrier (CVN-21), the transformational destroyer (DD(X)) and Littoral Combat Ship (LCS), the Joint Strike Fighter, the Advanced Hawkeye (E-2C RMP) Upgrade Program and the EA-18G Electronic Attack aircraft;
- An 4.1% average pay increase in targeted and basic pay raises, and a reduction in average out-of-pocket housing costs from 7.5% to 3.5%;
- Investment in housing and Public Private Venture that will help eliminate inadequate family housing by FY07 and enable us to house shipboard Sailors ashore when their vessel is in homeport by FY08;
- Continued investment in key operational readiness accounts that includes an increase in aviation depot maintenance funding, improvement in our annual deferred maintenance backlog for our ships, submarines and aircraft carriers, and sustained funding for our ordnance, ship operations and flying hours accounts;
- Navy - Marine Corps Tactical Aviation Integration, a process that will maximize our forward-deployed combat power, optimize the core capability of naval aviation forces, introduce 200 modern aircraft across the FY04 - FY09 program and save billions of dollars;
- Divestiture of aging, legacy ships, systems and aircraft, producing nearly \$1.9B in FY04 for reinvestment in recapitalization;
- Improvements in the quality of our operational training through a Training Resource Strategy; and

- Investment in transformational unmanned underwater vehicles (UUV), unmanned aviation vehicles (UAV), experimental hull forms and other technologies.

A. Sustaining our Current Readiness

Your investment last year produced the most ready force in our history! Training, maintenance, spare parts, ordnance, and fuel accounts enabled our Fleet to be ready earlier, deploy at a higher state of readiness, and as we are witnessing today, build a more responsive surge capability. These investments were vital to sustaining the war on terrorism, assuring friends and allies and leading the nation's global response to crisis.

- **Ship Operations and Flying Hours** requests funds for ship operations OPTEMPO of 54.0 days per quarter for our deployed forces and 28 days per quarter for our non-deployed forces. The flying hours request receives an additional \$137M this year to sustain the investment level we established in support of last year's budget. This level of steaming and flying hours will enable our ships and airwings to achieve required readiness six months prior to deployment, sustain readiness during deployment and increase our ability to surge in crisis. However, sustained OPTEMPO at levels above this force-wide target, as is beginning to occur during FY03's time of accelerated and extended deployments, will cause our current year execution to run both ahead and in excess of the existing plan.

- **Ship and Aviation Maintenance.** Last year, we reduced our major ship depot maintenance backlog by 27% and aircraft depot level repair back orders by 17%; provided 32 additional ships with depot availabilities; ramped up ordnance and spare parts production; maintained a steady "mission capable" rate in deployed aircraft; and fully funded aviation initial outfitting. Our request for FY04 aviation maintenance funding adds over \$210M to FY03's investment and will increase the number of engine spares, improve the availability of non-deployed aircraft, and meet our 100% deployed airframe goals.

Our ship maintenance request continues to 'buy-down' the annual deferred maintenance backlog and sustains our overall ship maintenance requirement. The aggregate level of funding for ship maintenance actually declines from FY03 to FY04, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, in part to the accelerated retirement of the oldest and

most maintenance-intensive surface ships, and as a result of scheduling and timing.

- **Shore Installations.** The FY04 request provides 93% of the modeled sustainment cost for facilities, an increase from FY03's 84%. Although the overall investment in facility recapitalization has reduced from last year, slowing the replacement rate of facilities, our increased investment in sustainment will better maintain existing facilities as we continue to pursue innovations to improve our base infrastructure. Our Base Operations Support funding request is based on sustaining the current level of common installation and important community and personnel support functions; we have factored in management and business efficiencies to reduce the cost of providing these services. We continue to support a Base Realignment and Closure effort in FY2005 to focus our future investment and improve our recapitalization rate in the years ahead.

- **Precision Guided Munitions** receive continued investment in our FY04 request with emphasis on increasing inventory levels for the Joint Stand-Off Weapon (JSOW), optimizing the Navy's Joint Direct Attack Munition (JDAM) production rate and commencing full rate production under multi-year procurement for the Tactical Tomahawk (TACTOM). Our partnership with the Air Force in several of our munitions programs will continue to help us optimize both our inventories and our research and development investment.

- **Training readiness.** The Training Resource Strategy (TRS) has been developed to provide for more complex threat scenarios, improve the training of our deploying ships, aircraft, Sailors and Marines, and support the range and training technology improvements necessary to ensure the long-term combat readiness of deploying naval forces. The TRS has identified the training facilities necessary to provide this superior level of training as well. Their dispersed character is more like the battlefield environment our forces will face today and tomorrow and will better challenge our deploying forces - before they are challenged in combat. Our FY04 request includes \$61M to support the Training Resource Strategy.

At the same time, encroachment and environmental issues continue to impact our ability to maintain an acceptable level of access to our valuable testing and training ranges and operating areas. As a result, we are looking for a balanced approach that would protect our environmental obligations and our ability to both train in realistic scenarios and develop

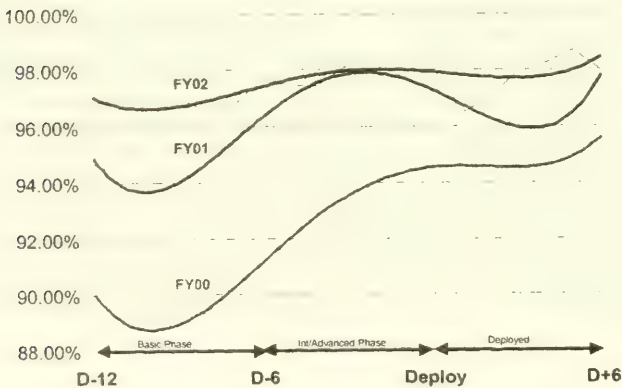
transformational systems for our future. Our approach would be limited to only the most critical issues, such as the designation of critical habitat on military lands designated for military training, and the scientific measurements that achieve an appropriate balance between our environmental concerns and our obligation to ensure our Sailors are properly trained and our transformational systems are properly tested. We will focus the use of our ranges for these purposes while continuing to be an excellent steward of these environmental resources. We look forward to working with the Congress and the American people on this important and urgent issue impacting our Sailors and Marines.

B. Deepening the Growth and Development of our People

We are winning the battle for people. Thanks to superb leadership in the fleet and the full support of the American people and Congress, we are making solid progress in addressing long-standing manpower and quality of service issues vital to having what it takes to win the competition for talent today and tomorrow.

We are enjoying now, the best manning I have witnessed in my career. With few exceptions, we achieved C-2 manning status for all deploying battle group units at least six months prior to deployment. These accomplishments enabled our Navy to develop a more responsive force - one that surged forward with the right people, at the right time to fulfill our national security requirements.

Normalized Battle Group Manning

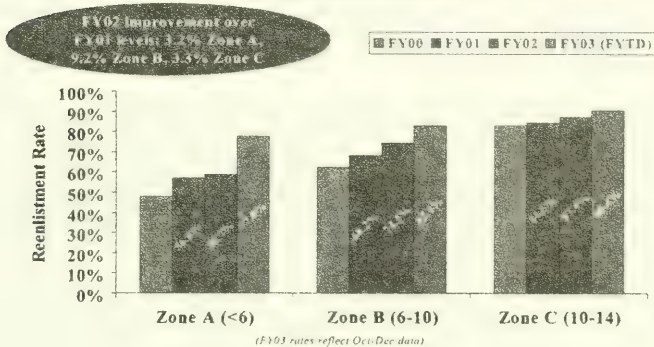


Retention is at record levels and recruiting has never been better. We achieved a 58.7% Zone A (<6 Years of service (YOS)) reenlistment rate, 74.5% Zone B reenlistment rate (6-10 YOS), and a Zone C (10-14 YOS) reenlistment rate of 87.4% in 2002. While we are also off to a great start in FY03, we are instituting measures to ensure our annualized reenlistment rate meets our established goals (Zone A - 56%, B - 73%, C - 86%).

Additionally, attrition for first term Sailors was reduced by 23% from FY01 levels. 92% of our recruits are high school graduates and 6% of them have some college education.

Navy Enlisted Reenlistment

...the percentage of Sailors at a career decision point who choose to stay Navy



These tremendous accomplishments allowed us to reduce at-sea manning shortfalls last year and reduce our recruiting goals. We were also able to increase the overall number of E-4 to E-9s in the Navy by 1.3% to 71.5% working toward a goal of 75.5% by FY07. This healthy trend allows us to retain more of our experienced leaders to manage and operate the increasingly technical 21st century Navy.

Targeted pay raises, reenlistment bonuses, improved allowances, enhanced educational benefits, retirement reforms, support for improved family services, and better medical benefits are making a difference and can be directly attributed to Congressional support and the outstanding work of our Navy leaders in our ships, squadrons, bases and stations.

Our FY04 request capitalizes on last year's accomplishments and provides the opportunity to align our manpower and skills mix to balance our end strength and shape our 21st century workforce. As part of Sea Power 21's transformed organizational process improvements we will begin our **Sea Warrior** process.

Our goal is to create a Navy in which all Sailors are optimally assessed, trained, and assigned so that they can contribute their fullest to mission accomplishment. It is important that we sustain our manpower progress by furthering our supporting initiatives, to include:

- *Perform to Serve* will align our Navy personnel inventory and skill sets through a centrally managed reenlistment program. This initiative makes Commander, Navy Personnel Command the final authority for first term reenlistments and extensions and will steer Sailors in over manned ratings into skill areas where they are most needed. It provides the training necessary to ensure these sailors will succeed in their new rating. Most importantly, it will help us manage our skills profile.
- *Navy Knowledge Online* introduces our integrated web-based lifelong learning initiative for personnel development and learning management. It connects Sailors to the right information in a collaborative learning environment; tracks their individual skills and training requirements; and provides lifelong support between our rating, leadership and personal development Learning Centers and our Sailors.
- *Task Force EXCEL* (Excellence through our Commitment to Education and Learning) is transforming the way we train and educate our people. A more responsive organizational structure has been established to include the Navy Chief Learning Officer, Naval Personnel Development Command, and Human Performance Center. We also partnered with Fleet, industry, and academia to improve individual training and education; and with colleges, through the Commissioned Navy College Program, to provide rating-related Associate and Bachelor degrees.
- *Project SAIL* (Sailor Advocacy through Interactive Leadership), will web-base and revolutionize the personnel assignment process by putting more choice in the process for both gaining commands and Sailors. It will empower our people to make more informed career decisions and for the first time, create a more competitive, market-oriented process.

Our Sea Swap initiative is underway now, with the first crew-change on USS FLETCHER taking place in the Western Australia port of Fremantle last month. We will continue this pilot with another crew change this summer and we intend to continue to examine pilot programs in optimal manning, rotational crewing, assignment incentive pay, rating identification tools, and rate training.

Your support of our FY04 request for a targeted pay raise that recognizes and reaffirms the value of our career force and acts as an incentive to junior personnel to stay Navy is critical to staying the course. So, too, is continuing the reduction of average out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. All these efforts enable our Navy to sustain our forces in the war on terrorism, continue the increase in our Top 6 (E4 to E9), and develop the 21st Century, high-technology personnel force that is our future.

C. Investing in Sea Power 21

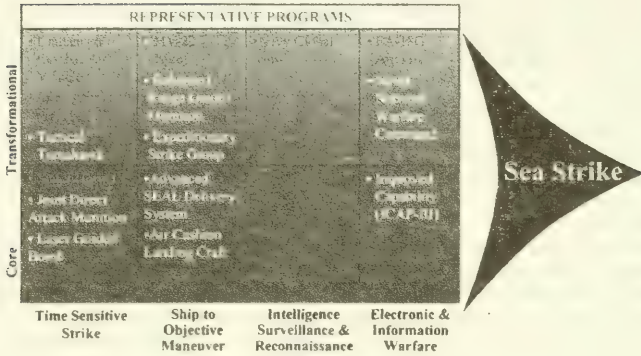
Our 21st Century Navy will be a joint, netted, dispersed power projection force and Sea Power 21 is the framework for how our Navy will organize, integrate, and transform. It prescribes a strategy-to-concepts-to-capabilities continuum by which current and future Naval Forces will exploit the opportunity that information dominance and rapid, highly accurate power projection and defensive protection capabilities bring to us.

Together, these concepts will compress our speed of response and provide the nation with immediately employable, secure and sovereign forward "capability sets" from which to project firepower, forces, command and control, and logistics ashore.

The following describes the core capabilities, and our initial investments in our highest priority programs that support this vision.

Sea Strike is the projection of precise and persistent offensive power. The core capabilities include Time Sensitive Strike; Intelligence, Surveillance and Reconnaissance; Ship to Objective Maneuver; and Electronic Warfare and Information Operations. We are already investing in impressive programs that will provide the capabilities necessary to support Sea Strike; these include the following FY04 priorities:

SEA STRIKE



- F/A-18E/F Super Hornet. The F/A-18E/F is in full rate production and when combined with this year's request for the EA-18G, will be the backbone of Navy sea-based precision and time-critical strike, electronic attack and airborne tactical reconnaissance. It is in the fifth of a five-year multi-year procurement (MYP) contract (FY00-04) that will yield \$700M in total savings. The second multi-year contract for 210 aircraft will yield approximately \$1B in savings as compared to the single-year price. The Super Hornet employs new knowledge dominance technologies, such as the Joint Helmet Mounted Cueing System, Advanced Tactical Forward Looking Infrared System, Shared Reconnaissance System, and Multi-Informational Display System data link. It provides 40% increase in combat radius, a 50% increase in endurance, 25% greater weapons payload, 3 times the ordnance bring back, and is more survivable than our older Hornets; most importantly, it has the growth capacity to remain a mainstay of our tactical aviation for years to come. Three of these squadrons are already deployed today at one-third the operational cost of our legacy F-14 aircraft. FY04 budgets for 42 E/F aircraft; this program maximizes the return on our procurement dollars through a multi-year procurement contract and a minimum economic order quantity buy.

- EA-18G. The EA-18G will replace the aging EA-6B Prowler for joint force electronic attack. Using the demonstrated

growth capacity of the F/A-18E/F, the EA-18G Growler will quickly recapitalize our Electronic Attack capability at lower procurement cost, with significant savings in operating and support costs and three years earlier than previously planned; all while providing the growth potential for future electronic warfare (EW) system improvements. It will use the Improved Capability Three (ICAP III) receiver suite and provide selective reactive jamming capability to the war fighter. This will both improve the lethality of the air wing and enhance the commonality of aircraft on the carrier deck. It will dramatically accelerate the replacement of our aging Airborne Electronic Attack capability. Engineering and developmental efforts commence with our FY04 budget request.

- JSF. The Joint Strike Fighter will enhance our Navy precision with unprecedented stealth and range as part of the family of tri-service, next-generation strike aircraft. It will maximize commonality and technological superiority while minimizing life cycle cost. The FY04 budget requests \$2.2B in accelerated development funds; initial production is planned for FY06.

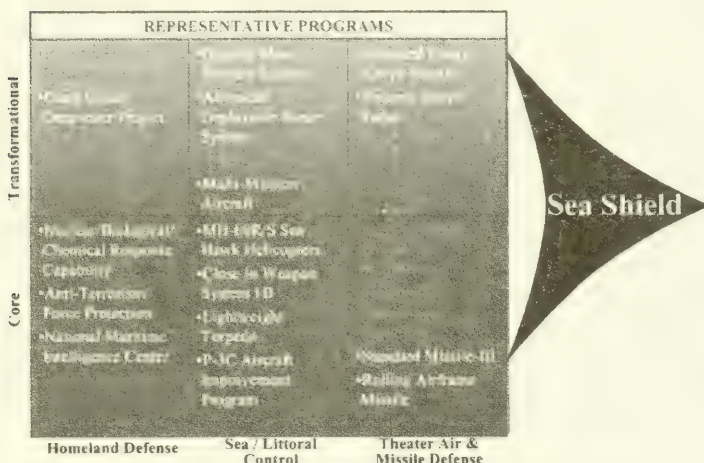
- MV-22. The Joint Service MV-22 Osprey tilt-rotor, Vertical/Short Take-Off or Landing (V/STOL) aircraft represents a revolutionary change in aircraft capability. It will project Marines and equipment ashore from our amphibious shipping, operationalizing Ship to Objective Maneuver from the Sea Base and improving our expeditionary mobility and force entry needs for the 21st century. The MV-22 program has been restructured, redesigned, rebuilt and is undergoing testing to deliver an operationally deployable aircraft on the restructured schedule. The MV-22 will replace the Vietnam-era CH-46E and CH-53D helicopters, delivering improved readiness, upgraded capability, and significantly enhanced survivability. It is overwhelmingly superior to our legacy CH-46E providing twice the speed, five times the range, and three times the payload capacity.

- Unmanned Air Vehicles (UAV). We increased our commitment to a focused array of unmanned air vehicles that will support and enhance both Sea Shield and Sea Strike missions with persistent, distributed, netted sensors. We are initiating the Broad Area Maritime Surveillance (BAMS) UAV this year to develop a persistent, multi-mission platform capable of both Sea Shield and Sea Strike surveillance and reconnaissance of maritime and land targets, communications relay and some intelligence collection. We have provided funding for testing, experimentation and/or demonstration of the Fire Scout

Demonstration Systems, Global Hawk Maritime demonstration and the Unmanned Combat Aerial Vehicle - Navy (UCAV-N) demonstration vehicle as well.

Sea Shield is the projection of layered, global defensive power. It will soon enhance deterrence and warfighting power by way of real-time integration with joint and coalition forces, high speed littoral attack platforms setting and exploiting widely distributed sensors, and the direct projection of defensive powers in the littoral and deep inland. It will enhance homeland defense, assure, and eventually sustain our access in the littorals and across the globe. Sea Shield capabilities include, Homeland Defense, Sea and Littoral Control, and Theater Air and Missile Defense.

SEA SHIELD



Our highest priority Sea Shield programs this year include:

- **Missile Defense.** Our Navy is poised to contribute significantly in fielding initial sea based missile defense capabilities to meet the near-term ballistic missile threat to our homeland, our deployed forces, and our friends and allies and we are working closely with the Missile Defense Agency (MDA) to that end. As partners, USS LAKE ERIE will be transferred to

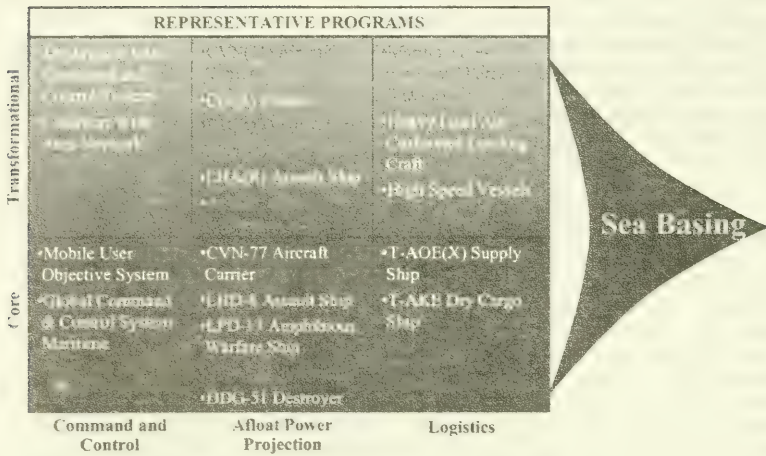
MDA to facilitate a more robust testing program for missile defense. In turn, MDA is requesting funds to upgrade three AEGIS guided missile destroyers (DDG) for ICBM surveillance and tracking duties and procurement of up to 20 Standard Missile interceptors to help us provide a limited at sea capability to intercept short and medium range ballistic missiles in the boost and ascent phases of flight. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes and developing a vital capability for our Nation.

- CG Conversion. The first Cruiser Conversion begins in FY04. The Cruiser Conversion Program is a mid-life upgrade for our existing AEGIS cruisers that will ensure modern, relevant combat capability well into this century and against evolving threats. These warships will provide enhanced land attack and area air defense to the joint force commander. Core to these conversions is installation of the Cooperative Engagement Capability, which enhances and leverages the air defense capability of these ships, and the 5"/62 Gun System with Extended Range Guided Munitions to be used in support of the Marine Corps Ship-to-Objective-Maneuver doctrine. These converted cruisers could also be available for integration into ballistic missile defense missions when that capability matures.

- Unmanned Underwater Vehicles (UUV). We will continue development of UUVs for minefield reconnaissance in the littoral and other surveillance missions; including funding that will result in initial operating capability for the Long-term Mine Reconnaissance System (LMRS) in FY05.

Sea Basing is the projection of operational independence. Our future investments will exploit the largest maneuver areas on the face of the earth: the sea. Sea Basing serves as the foundation from which offensive and defensive fires are projected - making Sea Strike and Sea Shield a reality. Sea Basing capabilities include, Joint Command and Control, Afloat Power Projection and Integrated Joint Logistics. Our intent is to minimize as much as possible, our reliance on shore-based support nodes.

Sea Basing



Our highest priority investments include:

- Littoral Combat Ship (LCS). Our most transformational effort and number one budget priority, the Littoral Combat Ship will be the first Navy ship to separate capability from hull form and provide a robust, affordable, focused-mission ship to enhance our ability to establish sea superiority not just for our *Carrier Strike Groups* and *Expeditionary Strike Groups*, but for future joint logistics, command and control and pre-positioned ships moving to support forces ashore. They will be dispersed and netted, both leveraging and enhancing the knowledge superiority and defense of the theater joint force. We will separate capability from hull form by developing 'tailorable' mission modules that we can use to "forward fit and fight" these small, minimally manned, persistent, high-speed vessels across the globe. They will counter anti-access threats, namely small, fast surface craft carrying anti-ship missiles, torpedo-armed ultra-quiet diesel submarines, and large numbers of inexpensive mines. They will be the backbone of our carrier and expeditionary strike group organic mine warfare capability. By employing networked sensors, modular mission payloads, a variety of manned and unmanned vehicles, and an

innovative hull design, they will have the inherent capacity for further transformation by developing future modules for other missions. We will capitalize on DOD initiatives, spiral development, and new acquisition methods to streamline the acquisition process, and begin construction of the first LCS by 2005. The FY04 budget accelerates development and construction of 9 LCS in the FYDP, key to ramping surface force structure to Global CONOPs levels outside the FYDP.

- DD(X). The DD(X) advanced multi-mission destroyer will bring revolutionary improvements to precision strike and joint fires. Transformational and leap ahead technologies include an integrated power system and electric drive; the Advanced Gun System with high rate of fire and magazine capability; the new Multi-Function Radar/Volume Search Radar suite; optimal manning through advanced system automation, stealth through reduced acoustic, magnetic, IR, and radar cross-section signature; and enhanced survivability through automated damage control and fire protection systems. Armed with an array of land attack weapons it will provide persistent, distributed offensive fires in support of joint forces ashore. The capacity in both hull form and integrated electric power system will allow us to spiral its development to CG(X) and other transformational systems, like the electro-magnetic rail gun, in the years ahead.

- CVN-21. We have accelerated transformational technologies from the CVNX development plan into CVN-21 while sustaining the CVNX-1 development schedule submitted last year. This is the first new carrier design since 1967. The FY04 budget request provides \$1.5B in RDT&E and advanced procurement for the first CVN-21 and programs for split-funded construction beginning in FY07. The transformational technologies include a new electrical generation and distribution system, improved flight deck design with Electro-Magnetic Aircraft Launching System (EMALS), improved sortie generation, enhanced survivability, reduced manning, and incorporation of a flexible infrastructure that will allow the insertion of new capabilities as they evolve. CVN-21 will be the centerpiece of our Carrier Strike Groups in the future and will replace USS ENTERPRISE in FY14.

- VIRGINIA-class submarine (SSN-774). The first four ships of this class are under construction: *Virginia* will commission in 2004; the keel was laid for *Texas* (SSN-775) in July 2002; *Hawaii* (SSN-776) was begun in 2001; and *North Carolina* (SSN-777) in 2002. This class will replace LOS ANGELES-class (SSN-688) attack submarines and will incorporate new capabilities,

including an array of unmanned vehicles, and the ability to support Special Warfare forces. It will be an integral part of the joint, networked, dispersed fleet of the 21st Century.

- SSGN Conversions. We have requested two additional conversions in FY04; these ships will be configured to carry more than 150 Tomahawk missiles, enabling covert, large-volume strike. The SSGN will also have the capability to support Special Operations Forces for an extended period, providing clandestine insertion and retrieval by lockout chamber, dry deck shelters or the Advanced Seal Delivery System, and they will be arrayed with a variety of unmanned systems to enhance the joint force commander's knowledge of the battlespace. We will leverage the existing TRIDENT submarine infrastructure to optimize their on-station time. The first two ships, the USS OHIO and USS FLORIDA, enter the shipyard in FY03 to begin their refueling and conversion. USS MICHIGAN and USS GEORGIA will begin their conversion in FY04. We expect this capability to be operational for the first SSGN in FY07.

- Maritime Prepositioning Force Future (MPF(F)). MPF(F) ships will serve a broader operational function than current prepositioned ships, creating greatly expanded operational flexibility and effectiveness. We envision a force of ships that will enhance the responsiveness of the joint team by the at-sea assembly of a Marine Expeditionary Brigade that arrives by high-speed airlift or sealift from the United States or forward operating locations or bases. These ships will off-load forces, weapons and supplies selectively while remaining far over the horizon, and they will reconstitute ground maneuver forces aboard ship after completing assaults deep inland. They will sustain in-theater logistics, communications and medical capabilities for the joint force for extended periods as well.

Other advances in sea basing could enable the flow of Marine and Army forces at multiple and probably austere points of entry as a coherent, integrated combined arms team capable of concentrating lethal combat power rapidly and engaging an adversary upon arrival. The ability of the Naval Services to promote the successful transformation of deployment practices of the other Services will dramatically improve the overall ability of the Joint Force to counter our adversaries' strategies of area-denial and/or anti-access. We are programming RDTE funds to develop the future MPF and examine alternative sea basing concepts in FY08.

FORCEnet is the enabler of the foregoing capabilities, and the operational construct and architectural framework for naval warfare in the joint, information age. It will allow systems, functions and missions to be aligned to transform situational awareness, accelerate speed of decisions and allow naval forces to greatly distribute its combat power in the unified, joint battlespace. It puts the theory of network centric warfare into practice. We are just beginning this effort and we have requested \$15M in funds to administer the development of FORCEnet, the cornerstone of our future C4I architecture that will integrate sensors, networks, decision aids, warriors and weapons. Programs that will enable the future force to be more networked, highly adaptive, human-centric, integrated, and enhance speed of command include:

- E-2C Advanced Hawkeye Radar Modernization Program. E-2 Advanced Hawkeye (AHE) program will modernize the E-2 weapons system by replacing the current radar and other aircraft system components to improve nearly every facet of tactical air operations. The modernized weapons system will be designed to maintain open ocean capability while adding transformational surveillance and Theater Air and Missile Defense capabilities against emerging air threats in the high clutter and jamming environment. The advanced Hawkeye will be a critical contributor to Naval Integrated Fire Control-Counter Air, and to Sea Strike and Shield. The FY04 budgets over \$350M for continued development with first production planned for FY08.

- Navy and Marine Corps Intranet (NMCI). NMCI continues to bring together Navy personnel, government civilians and contractors into a single computing environment. This program is fostering fundamental changes in the way we support critical war fighting functions, conduct Navy business, and train and advance Sailors. FY04 funding of \$1.6B continues user seat rollout and cutover to the NMCI architecture, progressing toward a target end-state of 365,000 seats. Although NMCI seat cutover was slowed initially by the need to resolve the challenges of numerous, disparate legacy applications, the transition to NMCI has succeeded in eliminating more than 70,000 legacy IT applications and we are on track for the future.

Sea Trial. Commander, U.S. Fleet Forces Command (CFFC) is now in charge of our Navy's revitalized process of experimentation, and is rapidly developing emergent concepts and experimenting with new technologies to speed delivery of innovation to the fleet. CFFC will reach throughout the military and beyond to coordinate concept and technology development in support of future

warfighting effectiveness. Embracing spiral development, the right technologies and concepts will then be matured through targeted investment and rapid prototyping.

CFFC is working in concert with the U.S. Joint Forces Command to refine the Sea Trial process and integrate select wargames, experimentation and exercises. We are already testing new operational concepts and technologies like the Collaborative Information Environment, Joint Fires Initiative, and the Navy Joint Semi-Automated Force Simulation in operations and exercises. We will continue to pursue evaluation of multiple platforms and systems, including experimental hull forms and electro-magnetic rail guns, among others.

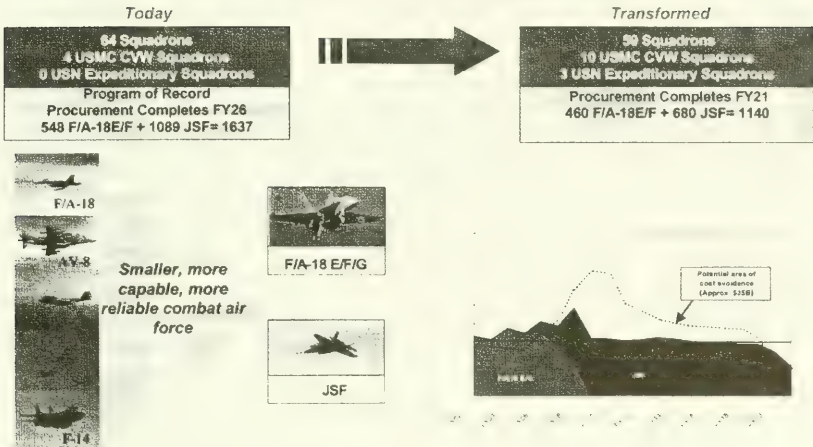
The Systems Commands and Program Executive Offices will be integral partners in this effort, bringing concepts to reality through technology innovation and application of sound business practices.

IV. Harvesting Efficiencies for Transformation

We are working hard to identify and harvest the efficiencies needed to balance competing priorities and invest in our Sea Power 21 vision. Called *Sea Enterprise*, this process is intended to ensure our warfighting capability both now and in the future. It will help identify and produce those initiatives that both optimize our warfighting capability and streamline our organization and processes; to make it operate more efficiently, to reduce our overhead and to produce the savings needed for investment in recapitalization and our future. We have already identified several initiatives that have produced over \$40B in savings and cost avoidance across the defense program - and many more billions outside the FYDP - to help fund our future. A few of the highlights include:

- *USN-USMC Tactical Aviation (TACAIR) Integration* plan shows the promise of cross-service partnerships. It will maximize forward deployed combat power, enhance our interoperability, more fully integrate our services, and save \$975M across the FYDP. This aggressive effort introduces 200 modern aircraft in the next six years while retiring legacy F-14, F/A-18A/B, S-3, and EA-6B airframes, and it reduces our F/A-18 E/F and JSF total buy requirements by 497 aircraft while enhancing our warfighting capability. There is more than \$30B in projected cost avoidance outside the FYDP as well.

TacAir Integration



Success depends upon proper numbers of E/F/G and on IOC of JSF

- **Partnerships.** We are pursuing other promising partnerships to include new munitions with the US Air Force, common communications and weapons systems with the US Coast Guard's Deepwater Integrated Systems program, and joint experiments with high-speed vessels with the US Army. We will continue to leverage the gains made in programs like joint weapons development (JDAM, JSOW, AMRAAM) as well.

- **Identifying savings within the force for recapitalization.** Last year we promised we would sharpen our focus on our force structure in the years ahead - to buy the ships, aircraft and the capabilities needed for tomorrow's Navy. At the same time, we cannot overlook the important gains our focus on current readiness made these last few years; it produced the more responsive force on deployment today. As a result, we are obligated to look hard at the ways we could

balance these priorities and our discretionary investments to both satisfy the near term operational risks and prepare for the long term risks of an uncertain future. This year we made some hard choices across the Fleet to do more to address our future risk, sustain our current readiness gains and strike this balance. We identified several aging, legacy systems with limited growth potential and high operating and support costs, and ultimately, we accelerated the retirement of 11 ships and 70 aircraft, divested more than 50 systems and eliminated 70,000 legacy IT applications. We are using the savings to recapitalize, modernize other legacy platforms, and invest in Sea Power 21. These initiatives result in an acceptable operational risk in the near term because of our emphasis on sustaining our current readiness gains. Equally important, these difficult decisions yielded \$1.9 billion for reinvestment and will do much to help reduce our future risk.

- *Improved business operations and processes.* We are improving both the way we run the Fleet and our ability to control costs. The LPD-DDG swap produced savings sufficient to purchase a third guided missile destroyer in FY04. We are using multi-year procurement contacts and focusing where possible on economic order quantity purchase practices to optimize our investments. We conducted the Workload Validation Review, and made Performance Based Logistics improvements. Other initiatives like piloting mission funding for two of our public shipyards, Enterprise Resource Planning, strategic sourcing, NMCI and eBusiness are helping us find the funds necessary to emerge with the optimal force structure, a healthy industrial base and an efficient and appropriately sized infrastructure.

- *Installation Claimant Consolidation.* In October 2003 we will establish a single shore installation organization, Commander, Navy Installations Command (CNIC), to globally manage all shore installations, promote "best practices" development in the regions, and provide economies of scale, increased efficiency, standardization of policies where practicable and improved budgeting and funding execution. This initiative has the potential to save approximately \$1.6B in the next six years.

We will continue to pursue the efficiencies that improve our warfighting capability. We are committed to producing the level investment stream that will help implement our bold new Navy vision and produce the number of future ships, aircraft and systems we need to counter the 21st Century threat. Harvesting savings for reinvestment is an important part of that effort,

and we will continue to examine the potential efficiencies while weighing the operational risks, both now and in the future.

V. Conclusion

We are affecting positive change in our Navy. We will continue our culture of readiness and our commitment to transformation while pursuing those efficiencies that both make us good stewards of the public's funds, and improve our warfighting capability. I have made it plain to our men and women in the Navy that mission accomplishment means *both* warfighting effectiveness and resourcefulness.

At the same time, our people remain at the heart of all we do; they are the real capital assets in our Navy. We have invested heavily to do what is right for the people who are investing themselves in our Navy. "Growth and development" is our byline. As we look to the future, we will build on the impressive progress we have made in recruiting, assigning, and retaining our military and civilian professionals. Active leadership is making it happen today and will do so in the years to come.

There are still more challenges and opportunities in the year ahead. We will continue prosecuting the global war on terrorism. This entails being ready to respond - to surge and sustain warfighting capabilities - in support of the war, as well as preparing our force for the battles of tomorrow.

But by implementing our bold new Navy vision, harvesting efficiencies for reinvestment, adding potent new platforms to the Fleet, and launching an integrated Navy-wide experimentation plan, we are creating the future capabilities and force structure required to counter these 21st century threats.

I thank the Committee for your continued strong support of our Navy, our Sailors, and our civilian shipmates. Working together, I am confident we will make our great Navy even better and provide our Nation with more power, more protection, and more freedom in the years ahead.

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UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE

STATEMENT OF
GENERAL MICHAEL W. HAGEE
COMMANDANT OF THE MARINE CORPS
UNITED STATES MARINE CORPS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
FEBRUARY 26, 2003

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE

Chairman Hunter, Congressman Skelton, distinguished members of the Committee; it is my honor to report to you on the state of your United States Marine Corps. First, on behalf of all Marines, I want to thank the Committee for your continued support. Your sustained commitment to improving the warfighting capabilities of our Nation's armed forces and to improving the quality of life of our Service men and women and their families is vital to the security of our Nation, especially now, at this time of impending crisis.

I. INTRODUCTION

The Navy-Marine Corps Team continues to play a key role in the global war on terrorism and in the establishment of stability and security in many of the world's trouble spots. Marines, both Active and Reserve, are operating side-by-side in diverse locations, from Afghanistan, to the Arabian Gulf, the Horn of Africa, Turkey, the Georgian Republic, Colombia, Guantanamo Bay, and the Philippines. At the same time, the Corps maintains a host of other commitments around the world that support U.S. National security, military, and foreign cooperation and security strategies. The powerful capability that the Naval Services bring to our joint forces is a central element of our Nation's military power.

Marine Corps operations throughout the past year have highlighted the versatility and expeditionary nature of our forces. Missions in support of Operations ENDURING FREEDOM and NOBLE EAGLE marked the most visible accomplishments of our forward-deployed forces. Marine Air Control Squadrons continue to provide air control, surveillance, and air traffic control support to Operation ENDURING FREEDOM during their deployments to the Central Command area of responsibility. Elsewhere, the Marine Corps continues to support Operation JOINT FORGE in the Balkans by sending Civil Affairs teams to Bosnia.

Even as the Marine Corps saw one of our busiest years in terms of operational deployments, participation in realistic, worldwide exercises remained critical to supporting the Combatant Commander's Theater Security Cooperation Plans and ensuring that we maintained a ready and capable force. Over the last year, Marines participated in more than 200 service, joint, and combined exercises. These included live fire, field training, command post, and computer-assisted exercises. Participants varied in size from small units to Marine Expeditionary Forces. Overseas, Marine Expeditionary Units (Special Operations Capable) conducted exercises in Jordan, Italy, Croatia, Tunisia, the Philippines, Australia, Thailand, and Kuwait.

At home, Marine reserve units were designated as “on call” forces to support the Federal Emergency Management Agency’s role in homeland security. In addition, the Marine Corps also conducted numerous training operations and internal exercises. This important training helps develop individual and unit proficiency and competency. It also allows the Marine Corps to examine unit operational skills and ensures that each unit has the capabilities required to execute our full range of missions.

The Marine Corps continues to contribute to the Nation’s counter drug effort, participating in numerous counter-drug operations in support of Joint Task Force Six, Joint Interagency Task Force-East, and Joint Interagency Task Force-West. These missions are conducted in the Andean region of South America, along the U.S. Southwest border, and in several domestic “hot spots” that have been designated as High Intensity Drug Trafficking Areas. Individual Marines and task-organized units are assigned to these missions in order to provide support for domestic drug-law enforcement throughout the United States, and to provide conventional training to military forces in South America that execute counter-narcotics missions. Marine operational and intelligence teams also support Colombian military efforts to combat narco-terrorism. Marines of our reserve forces have executed the majority of these missions.

Our successes in these global operations and exercises have not been achieved alone. We have worked closely alongside the Navy, our sister Services, and Federal agencies to realize the true potential of joint, interoperable forces in the new environment of 21st Century warfare. The superior operational and personnel readiness levels we have been able to maintain directly reflect the strong, sustained support of the Congress in last year’s National Defense Authorization and Appropriations Acts. In Fiscal Year 2004, we seek your continued support for the President’s Budget so we can consolidate the gains made to date, improve those areas where shortfalls remain, and continue transforming the way the Navy -Marine Corps Team will fight in the 21st century.

II. BUILDING ON SUCCESS

The President’s FY2004 budget, together with your support, will provide a strong foundation on which we can continue building on our successes. Our focus is on improving our ability to operate as an agile, lethal, ready, and effective member of a broader joint force that takes the complementary capabilities provided by each Service, and blends them into an integrated and effective force for meeting future challenges.

Increases in our Military Personnel accounts have a positive effect on the retention of our most valued assets—our Marines. Given the increasing pressure to modernize and transform the force, the Marine Corps is constantly working to identify and assess program tradeoffs to enable the most effectively balanced approach between competing demands and programs. These tradeoffs occur within a larger context of the Department’s overall program tradeoff decisions, which is driving the Navy and Marine Corps to work more closely than ever before in our planning, budgeting, and decision making. An additional concern that complicates this process is the sizeable unfunded cost of the ongoing global war on terrorism.

Challenges also arise from the changing realities of our National security environment. The Marine Corps is committed to the idea that we will fight as an integral part of a joint team. We continue to place high priority on interoperability, shared concept development, and participation in joint exercises with our sister services. Additionally, the security environment now demands that we pay more attention to our role in Homeland Defense, our critical infrastructure, and force protection—even as we deploy more forces overseas. These challenges demand that we balance competing priorities while remaining focused on maintaining excellence in warfighting.

Adapting to a Changing, Dynamic World.

While we adapt the advantages of technology to meet the changing face of warfare, we draw strength from the unique culture and core values that make us ‘Marines.’ We look for innovation in four broad areas to address future challenges:

- Transformational technology
- New operational concepts
- Refined organizations
- Better business practices

Innovative approaches culled from these efforts should provide insight into new *capabilities* that we can adapt for future warfighting. In this regard, we are currently engaged in an immediate and critical tasking to define how we, along with our partners in the Navy, intend to project Naval power ashore in the 2015-2025 timeframe. This effort requires the intellectual rigor and participation of all the elements of our Marine Air-Ground Task Forces and is influencing the entire Marine Corps—from our structure and training to the way we will fight on future battlefields as an integral component of a joint force.

Technology and Experimentation

The plan for realizing future joint concepts consists of three closely related processes: (1) Joint Concept Development, (2) Joint Experimentation & Assessment, and (3) Joint Integration & Implementation. The overall process is more commonly known as Joint Concept Development & Experimentation. In order to ensure support and engagement throughout this process, the Marine Corps reorganized to establish three Joint Concept Development & Experimentation divisions under the cognizance of the Commanding General, Marine Corps Combat Development Command. These three organizations are key elements of Marine Corps Transformation and enable full Marine Corps involvement in Joint Experimentation and Transformation as well as the Navy's *Sea Trial* process for Naval Experimentation and Transformation.

The Marine Corps Warfighting Laboratory maintains cognizance over Marine Corps-specific experimentation—with a focus on the tactical level—to develop enhanced warfighting capabilities for the future. Technologies and procedures are field tested in experiments conducted with the operating forces. In addition, the Lab coordinates closely with the Office of Naval Research to identify promising technologies that support the next generation of warfighting capabilities.

New Concepts and Organizations

The Marine Corps is streamlining force development from concept to acquisition under the Deputy Commandant for Combat Development. Our Expeditionary Force Development System is a single system of dynamic functions integrated into a process that produces and sustains capabilities to meet the needs of the Marine Corps and the Combatant Commanders. The Marine Corps advocates for ground combat, aviation combat, command and control, and combat service support, as well as the Marine Requirements Oversight Council, are key participants in the process. The Expeditionary Force Development System continuously examines and evaluates current and emerging concepts and capabilities to improve and sustain a modern Marine Corps. The system is compatible with and supports Naval and joint transformation efforts and integrates transformational, modernization, and legacy capabilities and processes. This integrated, concept-based driver for transformation is currently working on several ideas that will influence the future Marine Corps.

Expeditionary Strike Groups. The Marine Corps and Navy are engaged in a series of experiments that will explore the Expeditionary Strike Group concept. This concept will combine the capabilities of surface action groups, submarines, and maritime patrol aircraft with those of Amphibious Ready Groups and Marine Expeditionary Units (Special Operations Capable), to provide greater combat capabilities to Regional Combatant Commanders. In the near future, the Navy-Marine Corps Team will conduct a pilot deployment on the west coast to test the Expeditionary Strike Group concept. Navy combatants have already been incorporated within the existing training and deployment cycle of the Amphibious Ready Group. This experiment will also allow us to test command-and-control arrangements for the Expeditionary Strike Group. It will provide critical information to support the future implementation of the concept and highlight any needed changes in service doctrine, organization, training, materiel, leadership and education, personnel, and facilities.

Tactical Aviation Integration. The Navy and Marine Corps Team has embarked on a Tactical Aircraft (Strike-fighter) Integration plan that will enhance core combat capabilities and provide a more potent, cohesive, and affordable fighting force. This integration is the culmination of a long-term effort to generate greater combat capability from Naval fixed-wing strike and fighter aircraft, and represents a shared commitment to employ the Department of the Navy's resources as judiciously as possible. This integration has been ongoing for several years, with four Marine Corps F/A-18 Hornet squadrons operating as part of embarked carrier air wings. This Navy-Marine Corps effort will guarantee that Naval aviation will be integrated as never before, and will effectively support the Marine Air-Ground Task Force and the joint warfighter. Specifically, the integration plan:

- Reinforces our expeditionary ethos
- Provides a smaller, more capable, more affordable force for the Department of the Navy
- Integrates Marine strike fighters in ten Navy Carrier Air Wings
- Integrates three Navy strike fighter squadrons into the Marine Unit Deployment Program
- Includes the global sourcing of all DoN strike fighter assets and ensures their support to Marine Air-Ground Task Forces and Regional Combatant Commanders
- Provides increased combat capability forward
- Complements the enhanced seabasing concept.

A cornerstone of this plan is Department of the Navy funding and maintenance of legacy aircraft at the highest levels of readiness until the Joint Strike Fighter and F/A-18E/F replace them. This

requires an unwavering commitment to level funding of strike fighter readiness across the Department of the Navy. These integration-driven readiness levels will allow the Navy-Marine Corps Team to surge more aircraft than what is possible today.

Enhanced Networked Seabasing. Fully networked, forward-deployed Naval forces and platforms that are integrated into our seabasing capability will provide Naval power projection for Joint Force commanders. These forces will use the sea as a means of maneuver, enabling a broad range of joint campaign operations. Sea-based operations incorporate, integrate, protect, and sustain all aspects of Naval power projection, from space to the ocean floor, from blue water to the littorals and inland – without dependence on land bases within the Joint Operating Area. Seabasing will provide enhanced capabilities to the Naval force, such as *rapid force closure*, *phased arrival and assembly at sea*, *selective offload* of equipment tailored for individual missions, and *force reconstitution* for follow-on employment. The traditional Naval qualities of *persistence* and *sustainment* – enhanced by advanced force-wide networks – underpin the staying power and flexibility of the sea base. Naval platforms can stay on-station, where they are needed, for extended periods of time. The at-sea maneuverability of the seabase, coupled with advanced underway replenishment technologies and techniques, will ensure force readiness over time.

Integrated Logistics Capabilities. The Integrated Logistics Capabilities effort began as a unique collection of military, industry and academic organizations collaborating to develop a future vision of Marine Corps logistics processes. The product is a set of transformational initiatives that will provide better support to the warfighter. The purpose of the Integrated Logistics Capabilities concept and process is to implement a transformation strategy, based on best practices, that provides the framework for the execution of agile, effective logistics support to the Marine Air-Ground Task Force, with the focus of streamlining the logistics chain.

Capabilities are being conceptually refined and incrementally validated in the Operating Forces as they are identified and recommended. An assessment of the Proof-of-Concept, published in November 2002 by the Center for Naval Analysis, reflected improved supply response time (68% reduction in time) and overall repair cycle time (33% reduction).

Over both the mid- and long-term, improved combat effectiveness and efficiencies in the logistics chain are expected. However, efficiencies cannot be fully realized until the people, process and technology changes are applied across the entire operating force. The logistics transformation and process modernization, together with the cutting edge suite of technologies

provided by the Global Combat Support System, will greatly enhance the combat capabilities of Marine forces.

Reestablishment of Air-Naval Gunfire Liaison Companies. We have validated the requirement to reestablish our Air-Naval Gunfire Liaison Companies (ANGLICO). These Companies will provide our Commanders a liaison capability with foreign area expertise to plan, coordinate, and employ terminal control of fires in support of joint, allied, and coalition forces. ANGLICO will be reestablished with a company on each coast, and a separate brigade platoon in Okinawa. Each company will have a habitual relationship with the reserves. Full operational capability is expected by late summer 2004.

Marine Corps—U. S. Special Operations Command Initiatives. Today, 105 Marines are filling Special Forces billets around the world. In addition to providing the current Chief of Staff to US Special Operations Command (US SOCOM), the Marine Corps provides support to and ensures interoperability with Special Forces through the actions of the SOCOM-Marine Corps Board. That board met twice in 2002 and developed initiatives in the areas of Operations, Training and Education, Communications/C4, Information Operations, Psychological Operations, Civil Affairs, Intelligence, Aviation, Future Concepts, and Equipment & Technology. One of the initiatives, pursued in coordination with the Naval Special Warfare Command, is the Marine Corps' first sizeable contribution of forces to the Special Operations Command. Consisting of 81 Marines and 5 Sailors, a detachment has been organized, trained and equipped to conduct special reconnaissance, direct action, coalition support, foreign internal defense and other special operations missions, and will begin training at Camp Pendleton California in June 2003. They will subsequently transfer to the operational control of US SOCOM during October 2003, and deploy in April 2004 as augmentation to a Naval Special Warfare Squadron supporting both US Pacific Command and US Central Command.

Better Business Practices

We continue to seek out and use better business practices to achieve greater cost-effectiveness, improve performance, and sharpen our focus on our warfighting core competencies. In line with the competitive sourcing initiatives in the President's Management Agenda, we are increasing emphasis across our Supporting Establishment on competing our commercial activities with the private sector. We are complementing this initiative with continued development of an effective Activity-Based Costing and Management initiative across

our installations. This allows us to focus on the true cost of various functions and services and to develop benchmarks that enable us to improve performance and to focus analyses on cost-saving initiatives. This will occur both in commercial areas that we compete, and in non-commercial areas that cannot be competed. Competitions completed to date have resulted in saving millions of dollars annually and returning almost 900 Marines to the operating forces. We will continue to seek additional competition candidates. Activity-Based Costing and Management initiatives provided our installation commanders with cost and performance information that enabled them to save over \$37 million last year. As we refine our databases, we expect continuing increases both in performance and cost effectiveness.

Through all of the efforts outlined above, the Marine Corps is building on today's success. As we build on our current capabilities, embrace innovation, and transform to meet the daunting conventional and asymmetric threats to U.S. security in the 21st century, we will continue to be the Nation's Total Force in Readiness, fielding warriors whose unique seabased expeditionary and combined-arms capabilities will be critical to success in crisis and conflict. In the process of balancing our programs to meet these goals, we will focus on two primary objectives: (1) our main effort—maintaining excellence in warfighting, and (2) taking care of our Marines and families.

III. TAKING CARE OF OUR OWN

Providing for the needs of our Marines, their families and our civilian Marines remain among our top priorities. The most advanced aircraft, ship, or weapons system is of no value without highly motivated and well-trained people. People and leadership remain the real foundations of the Corps' capabilities. It is important to note that the Marine Corps operates as a Total Force, including elements of both active and reserve components. We continue to strengthen the exceptional bonds within our Total Force by further integrating the Marine Corps Reserve into ongoing operations and training.

Human Resources

End Strength. The Congressionally authorized increase in Marine Corps end strength to 175,000 in response to the global war on terrorism is very much appreciated. This increase of 2,400 Marines allows us to sustain the increased missions associated with the activation of the 4th

Marine Expeditionary Brigade (Anti-Terrorism), enabling us to replace Marines in the active units that we “borrowed” in standing up the Brigade, and continue to provide the Nation with a robust, scalable force option specifically dedicated to anti-terrorism.

Recruiting. Sustaining our ranks with the highest quality young men and women is the mission of the Marine Corps Recruiting Command. Recruiting Command has consistently accomplished this mission for more than the past seven years for enlisted recruiting and twelve years for officer recruiting. These achievements provide the momentum fueling the continuous pursuit to improve the recruiting process and enhance the quality of life for our recruiters. To continue to attract America’s finest youth, Recruiting Command has provided recruiters with the best tools available to accomplish their mission. The Marine Corps supports the National Call to Service Act and continues to work closely with DoD in developing an implementation policy. We expect to commence enlisting individuals under this program commencing October 1, 2003. The Marine Corps Reserve achieved its FY02 recruiting goals, accessioning 5,904 Non-Prior Service Marines and 4,213 Prior Service Marines. With regard to our Reserve Component, our most challenging recruiting and retention issue is the ability to fill out our Selected Marine Corps Reserve units with qualified officers. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served a tour as an active duty Marine officer.

While this practice ensures our Selected Marine Corps Reserve unit officers have the proven experience, knowledge and leadership abilities when we need it the most—during mobilization—it limits the recruiting pool that we can draw from to staff our units. As a result, the Selected Reserve currently has a shortage of company grade (Second Lieutenant to Captain) officers. We are exploring methods to increase the reserve participation of company grade officers through increased recruiting efforts, increased command focus on emphasizing reserve participation upon leaving active duty, and reserve officer programs for qualified enlisted Marines. We are also pursuing the legislative authority to provide an affiliation bonus to reserve officers as an additional incentive for participation in the Selected Marine Corps Reserve.

Retention. Retaining the best and the brightest Marines has always been a major goal of the Marine Corps. The Marine Corps is by design a youthful service, however, it is of paramount importance to retain the highest quality Marines to lead our young force. History has proven that leadership in the Staff Noncommissioned Officer ranks has been the major contributor to the combat effectiveness of the Marine Corps. The Marine Corps has two retention standards. Our First Term Alignment Plan has consistently achieved its reenlistment requirements over the past

eight years. With one-third of the current fiscal year completed, we have achieved 87% of our first-term retention goal. A look at our Subsequent Term Alignment Plan (second tour and beyond) demonstrates that we have already retained 51% of our goal for this fiscal year. Both of these trends indicate healthy continuation rates in our career force.

Current officer retention is at an eighteen year high, continuing the strong performance of the last two years. Despite this positive trend, we cannot become complacent. As a Corps, we will continue to target specific qualifications and skills through continuation pay. Military compensation that is competitive with the private sector provides the flexibility required to meet the challenge of maintaining stability in manpower planning.

Marine Corps Reserve - Partners in the Total Force. It is important to note that the Marine Corps operates as a Total Force, including elements of both active and reserve components. We continue to strengthen the exceptional bonds within our Total Force by further integrating the Marine Corps Reserve into ongoing training and operations. Concurrent with the various initiatives underway to improve integration and update capabilities, the Marine Corps Reserve continues to support its primary mission of augmentation and reinforcement. Reserve units and Marines provided over 1.8 million man-days in FY02. Reserves provided support at all levels within the Marine Corps and at Combatant Commands and High-Level Staffs.

As we enter the 21st Century, the overall structure of Marine Forces Reserve will retain the current basic structure. However, Marine Forces Reserve is currently working to create new capabilities identified as part of its comprehensive review. Both as a structural and an operational change, Marine Forces Reserve is increasing its operational ties with the Warfighting Commanders by improving lines of communication with our operating forces. These increased operational ties will improve interoperability, increase training opportunities, and enhance the warfighting capabilities of the Total Force.

Mobilization. Since the events of 9/11, the Marine Corps judiciously activated Individual Ready Reserve (IRR) Marines in response to both internal and joint operational requirements. The Marine Corps has maximized the use of individual volunteers to meet these requirements primarily in the areas of staff augmentation and force protection. In addition, Selected Marine Corps Units (SMCR), were activated for force protection requirements in support of homeland security. Because of emerging requirements associated with war on terrorism, we began involuntary recall of some of our Individual Ready Reserves on January 17, 2003.

Stop Loss. On January 15, 2003, the Marine Corps instituted Stop Loss across the Marine Corps to meet the emerging requirements associated with the expanding war on terrorism. Stop Loss was initiated to provide unit stability/cohesion, maintain unit readiness, meet expanded force protection requirements, and to reduce the requirement to active IRR personnel. We will continue to make judicious use of this authority and continue to discharge Marines for humanitarian, physical disability, administrative, and disciplinary reasons. We have instructed our General Officers to continue to use a common sense approach and have authorized them to release Marines from active duty if it is in the best interest of the Marine Corps and the Marine.

Education

Our leaders—especially our noncommissioned officers—throughout the entire chain of command have kept the Corps successful and victorious. Their sense of responsibility is the cornerstone of our hard-earned successes. We will continue to develop leaders who can think on their feet, act independently, and succeed. In the future, as today, leaders will continue to instill stamina and toughness in each individual while simultaneously reinforcing character that values honor, integrity and taking care of our fellow Marines – including treating each other with dignity and respect. Aggressive and informed leadership demands education, training, and mentoring. The importance of these key elements cannot be over-emphasized, and we must attend to each at every opportunity.

Marine Corps University has responsibility and authority for the planning, coordinating and overseeing all education for our Marines. The University is accredited by the Southern Association of Colleges and Schools to confer Masters degrees and currently offers a Masters of Strategic Studies at the Marine Corps War College, and a Masters of Military Studies at the Command and Staff College. The Chairman of the Joint Chiefs of Staff currently accredits the War College, Command and Staff College, and the College of Continuing Education for Phase I Joint Education. The President of the University also exercises command authority over the Expeditionary Warfare School and the Staff Noncommissioned Officer Academies worldwide. Notable accomplishments include Department of Education approval of a Masters of Operational Studies at the School of Advanced Warfighting, which is the first step toward our third Master's degree program.

Plans for the future include providing coordination and continuity through a coherent education plan for all Marines. Our goal is to develop better warfighting leaders at all levels

through an increased emphasis on relevant, structured education – at the graduate and undergraduate level – through both resident programs and distance education. Our intent is to greatly expand beyond the current emphasis on field-grade officers to support leadership development throughout the training and education continuum from Marine Private through General Officer, and to specifically bring senior Non-commissioned Officers further along the education continuum.

Our Lifelong Learning mission is to establish an integrated approach to learning; providing Marines with one destination for enrollment in a college program, access to research tools such as books, periodicals, and the Internet, basic skills enhancement, and nonresident courses. In the face of a requirement to increase Tuition Assistance from 75% to 100% of tuition costs, and the rate from \$187.50 per semester hour to \$250 per semester hour, the Marine Corps added the necessary funds to expand the Tuition Assistance program in the FY04 POM, which provides sustainment until FY09.

Quality of Life / Quality of Service

Congressional support for increases in the Basic Allowance for Housing, as well as the aggressive Marine Corps use of the Public Private Venture (PPV) authority provided by Congress five years ago, are resulting in dramatic improvements to the housing of our Marines and their families. Your continued support of our budget to help us achieve zero out-of-pocket expenses by FY2005 is greatly appreciated. The condition of other infrastructure, such as our barracks, workspaces, and training ranges, are also key factors in overall quality of life. While our infrastructure budgets reflect only the minimal essential military construction and re-capitalization necessary, they will allow us to achieve a re-capitalization rate of 67 years within the FYDP (down from 100 years in FY99) and an improvement of our facilities readiness by FY2013.

We have been aggressively working to reduce the number of Marines and civilian Marines in non-core business areas, reapplying the Marines to other operational requirements, and looking to optimize the use of civil service/contractor support where appropriate. Our track record is good. By example, we have reapplied Marines in the garrison food service and mobile equipment areas back to the operating forces and competed a significant number of civilian positions. We will continue this process in line with the President's Management Agenda to

review fifty percent of our positions by FY2008. By ensuring that quality of service remains high, we will help maintain our successful record of recruitment and retention.

Families

The Marine Corps is an expeditionary force prepared to deploy on short notice to accomplish assigned missions. While we may *recruit* Marines, we almost always *retain* families—it becomes a family decision for a Marine to stay for an entire career. Because of our expeditionary culture, deployment support is provided to Marines and their families as part of our normal operations, largely through the efforts of Marine Corps Community Services. In addition to concerted efforts to improve housing and family services, security and support is offered during pre-deployment, deployment, and post-deployment phases of our operations. The Marine Corps also offers numerous programs focused on new parent support and the prevention of domestic violence, as well as services and programs for infants, toddlers, children and teens. The Exceptional Family Member Program focuses on assistance to service personnel who have a family member with special needs before, during and after Permanent Change of Station Orders.

Safety

Ensuring a safe command climate and working environment remains a critical concern for the Marine Corps. Often, the settings and the work our Marines do are dangerous, but effective command climates continually mitigate those dangers through planning and leadership. Our safety programs are integral to force protection and operational readiness. Leadership and programming in safety awareness and standards are vital to providing Marines and their families with a meaningful quality of life and service. On the heels of a very successful year prior, FY2002 was a disappointing year for safety in the Corps, as we lost more Marines to mishaps in FY2002 than we had in any single year for the preceding decade. Our aviation mishap rate increased as well (from 1.40 to 3.9 class A mishaps per 100,000 flight hours).

These results do not indicate a lack of desire to safeguard Marines. Rather, several factors were involved that made it particularly difficult to prevent mishaps through normal operational risk management efforts. Demographically, the Marine Corps is a younger force than the other Services (by an average six to eight years), with maturity being a contributing factor in many mishaps; however, none of these factors are excuses for any failure to avoid preventable mishaps. Our leadership at all levels is deeply concerned about the negative trend and we are

actively involved in multiple efforts to improve readiness and save our most precious Marines and valuable equipment.

IV. OUR MAIN EFFORT—EXCELLENCE IN WARFIGHTING

Marines have a vision for the future, and we are moving forward with the modernization and transformation efforts needed to make this vision a reality. We fully understand that our vision cannot be achieved independent of our sister Services. Each of the Services has its own critical role to play in providing for our Nation's collective security; however, it is important that each of our contributions be, simultaneously, both unique and complementary. In particular, the Corps stresses the importance of our key partnership with the Navy. The Navy-Marine Corps Team has never been stronger, or more necessary for our Nation.

We have stated that our first concern is with the care and stewardship of our *people*. This philosophy extends to the rest of our programming in that we focus on procuring the programs and equipment that will maximize the abilities of our Marines to perform effectively in combat. With the foundation of requirements drawn from our emerging concepts, the Marine Corps is transforming its warfighting systems and assets throughout the elements of our Marine Forces. The following examples reflect but a few of our transformation and modernization efforts. A more comprehensive description of the Marine Corps' entire acquisition program can be found in the publication entitled *Marine Corps Concepts & Programs 2003*.

Training

We believe the enduring wisdom, "you fight the way you train." Because of this, our training exercises are becoming ever more Joint and Combined to provide our Marines with the experience they will need when called upon to respond to crises – because there is no doubt that we will work alongside our sister Services and coalition partners from other Nations in such circumstances. The Marine Corps Combat Training Center at Twenty-nine Palms, California focuses on integrated live fire and maneuver, as well as combined arms training, and will continue to play a central role as our foremost training and testing site for Expeditionary Maneuver Warfare. Ongoing initiatives will expand the role of the Combat Training Center and transform it into a "Center of Excellence" that will focus the training efforts across our operating forces. The Combat Training Center facilitates and supports the development of new concepts

and capabilities, thereby reinforcing our combat effectiveness, enhancing joint interoperability, and supporting Dodd transformation efforts.

The future role of the Combat Training Center will grow beyond its current emphasis on battalion-level integrated live fire, combined arms training to support expanded training opportunities for all elements (ground, air, combat service support, and command) of Marine Air-Ground Task Forces up to and including a Marine Expeditionary Brigade. This will include: enabling multi-site, distributed training evolutions that tie together units from various bases; and investing in technology that simultaneously links live, virtual, and constructive training. Additionally, improvements to the existing Expeditionary Air Field and construction of a large-scale urban training facility are being studied as possible ways to enhance training opportunities at Twenty-nine Palms. All of these efforts have the potential to increase the capability of our training center to support evolving training requirements, enabling the Corps to maintain its focus on uniquely Marine training skills, while providing a vehicle to further integrate Marine Corps capabilities into those of the Joint Force.

Infrastructure

Marine Corps infrastructure consists of fifteen major bases and stations and 185 Reserve facilities in the United States and Japan. In keeping with the Corps' expeditionary nature, these installations are strategically located near air and seaports of embarkation, and are serviced by major truck routes and railheads to allow for the rapid and efficient movement of Marines and materiel. Recognized as the "fifth element" of the Marine Air-Ground Task Force because of the close link to the operating forces and their operational readiness, the condition of the Corps' bases and stations is of vital importance. With the ability to train as an integrated force being a fundamental requirement of the Corps, infrastructure development planning is designed to provide the facilities, training areas, and ranges (both air and ground) to accomplish this requirement while minimizing excess and redundant capacities. With increasing encroachment pressures and constrained fiscal resources, the Marine Corps face significant challenges to provide and maintain a lean and efficient infrastructure that fully meets changing mission demands.

Blount Island Acquisition. We are committed to undertake the wisest possible course to conserve our real property and, when necessary, to acquire any additional property that is mission critical. The Blount Island facility in Jacksonville, Florida, is a National asset that must

be acquired to ensure its availability for long-term use. Blount Island's peacetime mission of supporting the Maritime Pre-positioning Force is vitally important, while its wartime capability of supporting large-scale logistics sustainment from the continental United States gives it strategic significance. The facility will play a vital role in the National military strategy as the site for maintenance operations of the Maritime Pre-positioning Force for years to come. The Marine Corps plans to acquire the Blount Island facility in two phases. Phase 1, funded in FY2000 and FY2001, is currently in progress and is will acquire interests in approximately 311 acres of land for the primary purpose of ensuring public safety on parcels adjacent to the leased central management operational area. Phase 2, planned for FY2004, involves acquisition of the central maintenance operational area, consisting of over 1,000 acres.

Training at Eglin Air Force Base. With cessation of training at Vieques, Puerto Rico, the established training ranges, quality of training support, and proximity to the ocean available at Eglin Air Force Base, Florida, can provide Naval Expeditionary Forces with an alternative training capability. Eglin's capabilities, location, and tenant commands provide the opportunity to facilitate joint training between Air Force, Navy, Marine Corps, Army and Special Operations Forces. Development of an expeditionary force training capability at Eglin can support the Secretary of Defense's vision and direction for training transformation and the development of a Joint National Training Capability. This type of training will be critical to Naval expeditionary combat-readiness.

The Marine Corps proposes to execute two ten-day training exercises with a Marine Expeditionary Unit at Eglin each year. These exercises include a variety of scenarios such as amphibious landings, raids, mechanized operations, helicopter operations, and live fire and maneuver exercises. No final decision on training activities will be made until an Environmental Assessment currently underway is completed. The Navy and Marine Corps are actively working to develop and sustain cooperative relationships with the local community and the State of Florida.

Encroachment and Environmental Issues. Encroachment—defined as any deliberative action that can cause the loss of, or restrict, the use of land, airspace, frequency, or sea maneuver areas—is a serious threat to the operational readiness of the Corps. Urban and residential areas now surround many Marine installations that were originally remotely situated. This growth is often accompanied by pressure for access to Marine Corps resources, or demands to curtail Marine Corps operations to make them more compatible with surrounding land uses. The Corps'

training lands often provide excellent habitat for threatened and endangered species, serving as islands of biodiversity amid the crush of densely populated urban areas that surround many of our installations. The Marine Corps is proactively engaged with federal, state, and local agencies and governments, as well as nongovernmental organizations, to provide win-win solutions to these encroachment pressures, and ensure compatible land usage and environmental security without degrading training and mission readiness. Unimpeded access to our installations and ranges is critical to the Marine Corps remaining America's "Force in Readiness."

Our Nation has crafted a strong environmental code of conduct structured on a wide range of federal, state, and local laws and regulations. Vague or inflexible environmental requirements, however, can present significant challenges for Marines performing their primary mission. We support ongoing efforts to seek clarity and limited flexibility in certain environmental laws, so that we may more effectively balance our training requirements with our long-term environmental stewardship responsibilities. Our ultimate goal is to "fight the way we train," while preserving the natural environment. Today, Marines at all levels perform their jobs with an increased awareness of potential environmental impacts. All of our bases and stations, for example, have implemented Integrated Natural Resource Management Plans and aggressive pollution prevention programs. The hard work does not end with these initiatives. The impact of encroachment on the Corps' ability to fully utilize its installations are varied and require constant vigilance and attention to ensure that operational readiness is not diminished.

Command and Control

Interoperability is the key to improving Naval expeditionary command and control effectiveness, especially as we begin to integrate battlespace sensors residing in our manned and unmanned aerial, space, and ground vehicles. This is particularly true as the Marine Corps continues to work routinely with a range of government, non-government, and international agencies. The command, control, communication, and computer (C4) end-to-end interoperability of the Global Information Grid will serve to enhance our ability to conduct joint, multi-department, and multi-agency operations through the use of technology, standards, architectures, and tools.

The Marine Corps works closely with the Joint Staff, combatant commanders, operating forces, and other Services to ensure that, where possible, joint concepts of operations are developed for common capabilities. An example of this process is occurring with the

development of the Joint Tactical Radio System, which combines numerous single function programs of current inventories into a single, interoperable, joint radio program that will provide secure digital communications while enhancing wideband tactical networking.

Intelligence

Our FY96 - FY03 enhancements to Marine Intelligence Support are paying off during Operation Enduring Freedom and the Global War on Terrorism. Intelligence Support organic to Marine Forces combined with capabilities from our Marine Corps Intelligence Activity in Quantico, Virginia to provide federated production (reachback) support has been validated through current operations. Marine Expeditionary Unit's forward deployed with organic all-source intelligence collection and production capabilities provide current intelligence support to Marine and Special Operations units. Our deployed signals intelligence, human intelligence, ground sensor, and reconnaissance teams provide the commander current situational awareness. All-source intelligence Marines have the systems and training to integrate organic collection, network with the joint force on the ground, and effectively reach back to the Marine Corps Intelligence Activity and joint centers at secure locations.

Mobility

While the global war on terrorism has demonstrated the current capabilities of the Navy-Marine Corps Team, our continuous transformation and modernization efforts hold even greater potential for increasing Naval power projection capabilities in the future. Many of these efforts focus on increased speed, range, payload, and flexibility of maneuver units—mobility. This concept includes a vision of an all-vertical lift Air Combat Element, with the introduction of tiltrotor and Short-Take-Off/Vertical-Landing (STOVL) aircraft. The following initiatives are some of the keys to the achievement of Marine Corps operational mobility objectives:

MV-22 Osprey. The MV-22 remains the Marine Corps' number one aviation acquisition priority. While fulfilling the critical Marine Corps medium lift requirement, the MV-22's increased capabilities of range, speed, payload and survivability will generate truly transformational tactical and operational opportunities. With the Osprey, Marine forces operating from the sea base will be able to take the best of long-range maneuver and strategic surprise, and join it with the best of the sustainable forcible-entry capability. Ospreys will replace our aging fleets of CH-46E Sea Knight and CH-53D Sea Stallion helicopters.

KC-130J. The KC-130J will bring increased capability and mission flexibility to the planning table with its satellite communications system, survivability, and enhancements in aircraft systems, night systems, and rapid ground refueling. The KC-130J is procured as a commercial off-the-shelf aircraft that is currently in production. We are pursuing a multi-year program for purchase with the US Air Force.

Advanced Amphibious Assault Vehicle. The Advanced Amphibious Assault Vehicle (AAAV) is the Marine Corps' only Acquisition Category 1D program and will be one of the principal enablers of the Expeditionary Maneuver Warfare concept. AAAV will provide never before realized high-speed land and water maneuver, a highly lethal day/night fighting ability, and advanced armor and Nuclear-Biological-Chemical protection. This—coupled with a systematic integration into emerging service and Joint Command and Control networked information, communications and intelligence architectures—will provide the Marine Corps with increased operational tempo, survivability, and lethality across the spectrum of operations.

Maritime Pre-positioning Force. The Maritime Pre-positioning Force (Future) will be the true enabler of primarily sea-based operations. When it becomes operational, the future Maritime Pre-positioning Force role will expand beyond that of today, and will provide a true seabasing capability. In this regard, it will serve four functions that the current capability cannot: (1) Phased at-sea arrival and assembly of units; (2) Selective offload of equipment and cargo; (3) Long-term, sea-based sustainment of the landing force; and (4) At-sea reconstitution and redeployment of the force. The Naval Services are exploring several new technology areas during the development of Maritime Pre-positioning Force (Future). Currently, the Maritime Pre-positioning Force (Future) Program is conducting an analysis of alternatives to inform an acquisition decision by the Office of the Secretary of Defense.

High-Speed Vessel (HSV). High-speed vessels will enhance the Marine Corps' capability to perform a wide range of missions, from providing support to a theater security cooperation plan to sustaining long-term operations ashore. High-speed vessels can enhance our ability to conduct sea-based operations and use the sea as maneuver space. HSVs do not have the loitering and forcible entry capabilities of amphibious ships or the pre-positioning capacity of our Maritime Pre-positioned Force Squadrons. However, their shallow draft, high speed, maneuverability, and open architecture make them a valuable link in a seamless logistics system that extends from source of supply to the sea base and the joint force, enabling a faster, more responsive, and capable deployment of a range of force modules from forward-based "hubs"

such as Okinawa, or from the United States. The Marine Corps is currently testing and validating these concepts by employing a high-speed vessel in the Pacific theater as a form of strategic lift.

Power Projection Platforms. Combined with embarked Marines, Naval expeditionary warships provide the Nation with forward-presence and flexible crisis response forces. They also provide a truly unparalleled expeditionary forcible-entry capability. As part of a joint effort, the Marine Corps will remain capable of getting to the fight rapidly in order to decisively deter or defeat adversaries who try to impose their will on our country or its allies. A fiscally constrained programmatic goal of twelve Amphibious Ready Groups – one that deliberately accepts increased operational risk by attempting to balance force structure with available resources – does not change the warfighting requirement to lift the Assault Echelons of three Marine Expeditionary Brigades via future platforms for amphibious shipping. The Marine Corps supports the LPD-17 and a modified LHD-8 (“Plug Plus”) ship design in FY 2007 and will evaluate the adequacy of the R&D and SCN funding for the development of future LHA(R) ships for the remainder of the class.

Mine Countermeasure Capabilities. Naval expeditionary forces require an effective counter-mine warfare capability to open and maintain sea lines of communication and to operate within the littoral battle space. This is probably our greatest concern when it comes to projecting power in an anti-access environment. With respect to mine countermeasures, we require a family of capabilities that encompasses mine detection, location, neutralization, marking, and data dissemination. Designed to provide an organic mine counter-measures capability within operationally acceptable timelines and with acceptable levels of operational risk, this next generation of systems includes the Advanced Mine Detector, the Assault Breacher Vehicle, the Remote Minehunting System and the Long-term Mine Reconnaissance System. Our most critical mine countermeasures deficiencies exist in the area near the shoreline through the high water mark and beyond, where detection and neutralization capabilities are extremely limited. Given the broad proliferation of known and unknown mined areas throughout the world, we must improve our ability to operate in this exceptionally lethal environment. Our intent is to leverage America’s strength in technology to dramatically improve our ability to locate and avoid or neutralize mines and obstacles as necessary, and eventually remove the man from the minefield.

Fires and Effects

With the increased range and speed of expeditionary mobility assets, the landward area of influence of Naval forces has increased by an order of magnitude. Consequently, the Nation requires weapon systems with correspondingly greater range, lethality, flexibility and tactical mobility. A range of lethal and non-lethal fire-support programs is moving the Corps in that direction. The development and acquisition of non-lethal weapons systems will expand the number of options available to commanders confronted with situations in which the use of deadly force is inappropriate. The Marine Corps is developing a robust non-lethal capability that will address the non-lethal core requirements of clearing facilities, crowd control and area denial. Additionally, we are enhancing the capabilities with which we can affect our adversaries that defy the traditional concept of weapons and fire-support means. Technical advances in directed-energy weapons hold much promise for future capabilities in this area.

Joint Strike Fighter. The Joint Strike Fighter is the next-generation strikefighter for the Marine Corps, Air Force, and Navy and will replace the Marine Corps' AV-8B and F/A-18A/C/Ds. The JSF family of aircraft will include a short takeoff and vertical landing (STOVL) variant, a conventional take-off and landing (CTOL) variant, and an aircraft carrier-capable variant. Commonality between the variants will reduce both development and life cycle costs and will result in significant savings when compared to the development of three separate aircraft. The Marine Corps requires that its STOVL variant be able to operate from large-deck amphibious ships, austere sites, and forward operating bases. The STOVL Joint Strike Fighter version can use from three to five times more airfields around the world than our existing conventional take-off and landing aircraft. Moreover, because the STOVL variant can operate from both conventional carriers and amphibious assault ship decks, it thereby effectively doubles the number of platforms available for seabased operations. The advantages of a stealthy STOVL strike fighter—capable of taking off from an expeditionary base on land or at sea, flying at supersonic cruise, accomplishing its mission with advanced sensors and weapons, and then returning to its expeditionary site—are dramatic. The STOVL Joint Strike Fighter will provide the reliability, survivability, and lethality that Marines will need in the years ahead, and transform the very foundations of Naval tactical air power for the 21st Century.

Naval Surface Fire Support. Our ability to provide fires in support of expeditionary forces operations beyond the beach has not kept pace with the dramatic increases in mobility. Critical deficiencies currently exist in the capability of the Navy to provide all-weather, accurate, lethal

and responsive fire support throughout the depth of the littoral in support of expeditionary operations. The Marine Corps supports the Navy's near-term efforts to develop an enhanced Naval surface fire support capability with the fielding of the 5-inch/62-caliber Naval gun and the development of extended-range munitions. In the far-term, the Marine Corps supports the development and fielding of the Advanced Destroyer [DD(X)], armed with 155mm Advanced Gun Systems and Land Attack Missiles, to fully meet our Naval surface fire support requirements. Our Nation's expeditionary forces ashore will remain at considerable risk for want of suitable sea-based fire support until DD(X) joins the fleet in significant numbers.

Indirect Fire-Support. A triad of indirect fire-support programs will provide needed firepower enhancements for Marines in the near- to mid-term. The first element of the triad is the Lightweight-155mm (LW-155) towed howitzer needed to replace our current M-198 howitzer, which is at the end of its service life. The Lightweight-155 is a joint Marine Corps-Army effort that will meet or exceed all the requirements of the current system while significantly reducing its weight.

The second element, the High Mobility Artillery Rocket System (HIMARS), will deliver very high volumes of rocket artillery in support of the ground scheme of maneuver. The HIMARS will provide accurate, responsive general support and general support reinforcing indirect fires at long range, under all weather conditions, and throughout all phases of combat operations ashore. It will fire both precision and area munitions to a maximum range of 36 miles.

The Expeditionary Fire Support System, the third system of the land-based fire support triad, will accompany Marines in any expeditionary mode of operation. It will be the primary indirect fire-support system for the vertical assault element of the ship-to-objective maneuver force. The Expeditionary Fire Support System, as a system, will be internally transportable by helicopter or tilt-rotor aircraft to allow the greatest range and flexibility of employment for our future operations.

Information Operations. Defense planners are engaged in studies exploring Information Operations as a core military competency, fully integrated into both deliberate and crisis action planning. The Marine Corps intends to enhance our operational capability in both offensive and defensive Information Operations. Marine Corps doctrine and warfighting publications are being reviewed and revised to acknowledge Information Operations as a core warfighting capability fundamental to all operations spanning the spectrum of conflict with equal significance during non-combatant and humanitarian operations. We recognize a requirement to develop and train

an Information Operations *career force* of trained professionals from the ground up in support of joint and inter-agency efforts.

New Weapons Technologies. The Corps is particularly interested in adapting truly transformational weapon technologies. We have forged partnerships throughout the Department of Defense, other Agencies, and with industry over the past several years in an effort to develop and adapt the most hopeful areas of science and technology. Several notable programs with promising technologies include: (1) advanced tactical lasers, (2) high-power microwave, non-lethal active denial systems, (3) free electron lasers, (4) electro-magnetic guns (rail guns), and (5) common modular missiles for aircraft.

Logistics and Combat Service Support

The Marine Corps logistics' vision is to significantly enhance the expeditionary and joint warfighting capabilities of our Operating Forces. Key warfighting capabilities encompassed in our future concepts –Enhanced Networked Seabasing and Ship-To-Objective-Maneuver – will be defined by our logistic capabilities and limitations. Hence, we are committed to exploring and implementing actions to increase combat power, operational versatility, and deployability. The concept of focused logistics in Joint Vision 2020 is guiding the Marine Corps as we strive to increase the sustained forward-deployed capability of our forces. Future force combat service support—and the Marine Corps logistics that enables it—will be changing as we shift more of our operations to the sea base. At the forefront of this effort is the Marine Corps Logistics Campaign Plan that outlines essential objectives and tasks based upon overarching Marine Corps, Naval, joint, and DoD concepts and guidance. Our strategy encompasses four pillars:

Logistics Information Fusion and C2. A key to current and emerging warfighting capabilities is a robust and responsive logistics information technology capability—one that is integrated with our command-and-control architecture and interoperable with Naval and joint systems. The Global Combat Support System – Marine Corps (GCSS-MC) and shared data environment, along with the Common Logistics Command and Control System, provide logisticians across the Marine Corps with a set of common logistics assessment, planning, and execution tools that are interoperable with the common operating picture.

Seamless Distribution. The single capability that defines Marine Forces in a joint environment is its ability to sustain itself over an extended period of time. The principal goal is to move from defining sustainment in terms of deployable “days of supply” to a continuous

uninterrupted sustainment capability for the force. A key element in achieving this is integrating current distribution processes and systems into broader Naval and joint distribution processes. Achieving this capability will not only greatly enhance Naval operations, but will be transferable to the task of sustaining joint forces and operations.

Enhanced Equipment Readiness. The bulk of our logistics effort and associated “footprint” is driven by its equipment-support activities. The Marine Corps seeks to reduce the required level of support for equipment by greatly improving the reliability, availability, and maintainability of ground tactical equipment.

Enterprise Integration. Achieving the emerging warfighting capabilities envisioned by future concepts require dynamic shifts in our logistics processes and organizations. Leading this effort toward logistics modernization is true enterprise integration consisting of GCSS-MC, process reengineering, and organizational reform.

V. CONCLUSION

The major challenges confronting the Marine Corps today center on organizing, training, and equipping our force to better support joint force commanders, now and in the future. The modernization programs and the transformational systems that we are pursuing are key to our ability to meet the Nation’s wartime, crisis, and peacetime requirements. We have put into place well-conceived programs addressing the needs of our Marines and their families, the requirement to enhance the current readiness of legacy systems, the critical role infrastructure plays in present and future readiness, and the balance between modernization and transformation.

Our capabilities, combined with those of our sister Services and Special Operations Forces, form the integrated array of military capabilities America needs to confront an increasingly varied and threatening National security landscape. You can remain justifiably proud of what your Marine Corps contributes as America’s forward engagement and expeditionary combined-arms force. We are grateful for the unwavering support you provide in this vitally important work.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

FEBRUARY 26, 2003

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ. With the current number of open-ended missions in which the Navy is engaged and the prospect of more missions on the near horizon, what is the Navy's strategy for maintaining the necessary combat readiness? How are you going to keep the Sailors trained?

Secretary JOHNSON. Navy deploys its forces on a rotational basis, and this strategy ensures our Sailors are adequately trained to fight in the Global War on Terror. We will maintain a surge ready force, like the one engaged in combat today, possessing the capability to respond to worldwide tasking. To meet current or emerging threats, a portion of our assets are always deployed, while the rest are phased through an Interdeployment Training Cycle (IDTC) back in the United States. Once home from a deployment, Sailors begin by performing maintenance and reconstitution, and then undergo a series of training exercises in preparation for possible combat operations. This phased, rotational strategy has proven successful in ensuring our Sailors possess adequate equipment and required skills to swiftly defeat the opposition when tasked to do so. When the currently deployed force reaches home they will begin the IDTC again, reconstitute, train, and once again deploy combat ready.

Admiral CLARK. Navy deploys its forces on a rotational basis, and this strategy ensures our Sailors are adequately trained to fight in the global War on Terror. To meet current or emerging threats, a portion of our assets are always deployed, while the rest are phased through in Inter-deployment Training Cycle (IDTC) back in the United States. Once home from a deployment, Sailors begin by performing maintenance and reconstitution, and then undergo a series of training exercises in preparation for possible combat operations. This phased, rotational strategy has proven successful in ensuring our Sailors possess adequate equipment and required skills to swiftly defeat the opposition when tasked to do so.

In the future, in addition to supporting a rotational presence force, we will also maintain a surge-ready force, like the one engaged in combat today, possessing the capability to respond to worldwide tasking. We will accomplish this through efficient process changes in the inter-deployment cycle (IDC). Under a program entitled Fleet Response, Navy will provide the Nation a larger inventory of employable ships by optimizing ship and air craft maintenance periods, tailoring individual ship training plans to meet existing and projected Combatant Commander needs and by ensuring that readiness accounts are funded at levels comparable to today's rates.

By effecting the process changes, the future surge ready Navy will be able to provide rapid and effective combat power. We expect the Integrated Readiness Capability Assessment (IRCA) approach to provide the necessary visibility for requirements to support such a force. The IRCA will focus on the full range of readiness enablers requirements to sustain that force during operations and to return to a surge ready posture.

Mr. ORTIZ. I have been fighting for adequate mine warfare funding for many years. It seems that until something disastrous happens, more money flows out of the mine warfare programs than into them. Earlier this year, there was discussion of cutting funding for approximately half of the dedicated mine warfare fleet and now all but 7 or 8 of the total fleet of 26 ships is deployed or about to be deployed.

What do you see for the future of mine warfare in the Navy and are the mine warfare programs receiving adequate funding in the President's budget? What progress are we making in finding a replacement to the INCHON?

Secretary JOHNSON. Mine Warfare is a critical warfighting mission area for the Navy. Navy's Seapower 21 vision foresees an increased presence of Naval forces in the littorals, where mines are an enduring threat. The force structure of the Fleet will evolve to fulfill the capability goals of the Naval Transformation Roadmap, and improved mine warfare capabilities are required for assured access in the littorals.

In light of competing priorities for resources, the President's Budget represents the best balance of resources to requirements. Funding increases for overall mine countermeasures (MCM) programs across the Future Years Defense Program reaffirm the Navy's commitment to fully support a potent dedicated MCM force, while simultaneously fielding an Organic MCM capability to the Carrier Battle Groups beginning in 2005.

The Navy is developing the transformational Littoral Combat Ship (LCS), which has mine warfare as one of its core mission areas. The LCS will take advantage of a modular configuration that will enable modernization through spiral development throughout its lifetime, thus allowing LCS to take full advantage of the revolution in unmanned mine warfare vehicles. The Organic MCM systems that have received so much support from the Congress will be excellent candidates for the LCS mission modules. The Navy is seeking the support of the Congress for the LCS and all of its mission modules.

To fill the capability gap due to loss of USS INCHON, we have experimented with a ship of opportunity concept. Under this concept, one of our large-deck amphibious ships serves as the Mine Warfare Command and Control ship. An extremely successful exercise last year with USS KEARSARGE demonstrated the viability of this concept. We intend to conduct annual exercises with various ships to continue to refine our concepts of operations. Delivery of HSV 2 SWIFT in fiscal year 2003 will also give us an excellent platform to continue MCM technology experimentation and MCM command and control concept development.

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In light of competing priorities for resources, the President's Budget represents the best balance of resources to requirements. Funding increases for overall mine countermeasures (MCM) programs of \$67 million in FY04 \$482 million across the Future Years Defense Program reaffirm the Navy's commitment to fully support a potent dedicated MCM force, while simultaneously fielding an Organic MCM capability to the Carrier Battle Groups beginning in 2005.

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Mr. ORTIZ. It is imperative that we continue to properly train our Naval aviators. In this regard, I am pleased to see a push in the budget to purchase more T-45's. This will allow us to enjoy a lower cost per unit savings. At the same time, we are also running into obsolescence issues with the T-45's currently in use that are dramatically increasing our maintenance costs.

It is my understanding that the current fiscal year 2004 budget funding of \$339 million for the purchase of 15 T-45's is \$13 million short of the necessary funding for the purchase and there is no funding in the budget for addressing the obsolescence issue. How are we going to deal with these issues?

Secretary JOHNSON and Admiral CLARK. The Navy is reviewing both of these issues and will re-examine current funding levels in preparation for in the next budget cycle. Careful management of aircraft and avionics funding will enhance our ability to provide the systems required to train future naval aviators. The T-45 remains a critical component of Undergraduate Navy Strike Fighter training whose resources will continue to be balanced with competing Naval priorities.

Mr. ORTIZ. The conference report that accompanied the fiscal year 2003 Defense Authorization Bill expressed concern regarding the oversight of the Navy's Mine Countermeasures program and significant changes in the fiscal year 2003 program subsequent to certification of that program by Undersecretary of Defense (Acquisition, Technology, and Logistics) Aldridge. Recent articles in the defense media cite insufficient funding and production capacity as being to blame for the Navy's inability to bring its organic mine countermeasures systems from concept to reality on schedule, and allude to funding decisions that did not establish a sufficiently high priority for the new organic capability, rather than technical difficulties, as being responsible. Notwithstanding the emphasis on Littoral Combat Ship as a focused-

mission ship and will include mine countermeasures as one of the modular mission capabilities, the Littoral Combat Ship is not scheduled to enter into service until late in the decade.

In the meantime, what is the Navy doing in the near term to address the shortfall in organic and in dedicated mine countermeasures capabilities that will permit the fleet to operate in the littoral?

Secretary JOHNSON. In the near term, the Navy will continue to operate from a forward deployed posture, providing operational commanders with the capability to detect, classify and destroy enemy mines. Additionally, Mine Warfare training of deploying battle groups and ships will continue, which builds upon the mainstreaming efforts we have made in the past few years.

The fiscal year 2005 introduction of Remote Mine Hunting System (RMS), the Mine Hunting Sonar (AQS-20) and Airborne Laser Mine Detection System (ALMDS) will provide a significant increase in search, classification and identification capability. The fleet will begin employing these mine hunting systems, developing concepts of operations, tactics, techniques and procedures, paving the way for the introduction of the Rapid Airborne Mine Clearance System (RAMICS) and Airborne Mine Neutralization System (AMNS) in fiscal year 2007. The next generation of influence sweep, Organic Air and Surface Influence Sweep (OASIS), is set for Initial Operational Capability (IOC) in fiscal year 2008. These new capabilities will be enhanced with the fielding of the first Littoral Combat Ship (LCS) in fiscal year 2007. Incorporation of these organic systems in the LCS MCM mission module will be transformational, placing organic MCM capability in the Carrier Strike Group and Expeditionary Strike Group.

While we will continue to aggressively pursue our transformation to organic off board systems, we are continuing to update and modernize our dedicated forces. These upgrades will keep our forces current and capable while we continue our progress towards the LCS and its MCM mission module as the future of mine warfare.

Admiral CLARK. In FY04, Navy increased funding for dedicated and organic MCM by \$67 million and \$482 million across the FYDP. Changes from last year's plan that support MCM include additions of \$125 million for MCM ship diesel engine replacement and \$100 million for MCM ship operations and maintenance along with funding of LCS MIW mission module development and acceleration of assault breaching systems.

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QUESTIONS SUBMITTED BY MR. SAXTON

Mr. SAXTON. As you are certainly aware, the Aegis Combat System uses advanced multi-function phased-array radar, the SPY-1, that is able to perform simultaneous operations including detection and tracking of multiple multi-mission threats and missile guidance. With such capabilities, the Aegis Combat System plays a significant role in the protection of our forces.

We have recently seen the additional adaptability of this system to a new mission area—Ballistic Missile Defense—with success in testing resulting in an Aegis Missile Defense deployment order by the President in December of last year. The Navy recently awarded a contract to build a Solid State S-Band Prototype radar as an upgrade to SPY-1. This solid state upgrade would allow increased performance against cruise missile and air-breather threats, as well as simultaneously performing long-range Ballistic Missile Defense missions.

Given that Aegis ships will be in the water for the next 30 years, and the cruise missile and ballistic missile threat is growing quite rapidly, please comment on the Navy's plan to insert the Solid State S-Band upgrade to SPY-1 on an Aegis ship.

Secretary JOHNSON and Admiral CLARK. The Navy does not plan to insert Solid State S-Band to upgrade SPY-1 on the cruisers and destroyers.

The Solid State S-Band prototype and the eventual production level S-band radar is being developed as the new primary air search and defense radar for CG(X), the Surface Navy's Next Generation Cruiser. The primary role of the CG(X) will be to provide Air Dominance and Ballistic Missile Defense. Solid State S-band will be a different radar from SPY-1 with advanced computing capacity and power requirements in addition to its enhanced capabilities. CG(X) will be built to replace to the Ticonderoga-class cruisers.

QUESTIONS SUBMITTED BY MR. TAYLOR

Mr. TAYLOR. I doubt you have it at your hands, I remember during the last Gulf War we had to go out and charter about 85 foreign flight vessels to equip our troops. We did build the medium-speed, and we are still building some of them to make up for that shortfall. Could you get back to us on what we have had to go out and charter as far as foreign vessels at this time?

Admiral CLARK. As of today, the Navy's Military Sealift Command has a total of 150 ships supporting Operation Enduring Freedom (OEF). The breakdown is as follows:

Naval Fleet Auxiliary Force	27
Special Mission Ships	3
Prepositioned Ships	13 (Includes 7 RRF ships/6 US-flag long-term charters)

Strategic Sealift Ships 107 (Includes 18 LMSRs, 8 FSS, 30 RRF ships, 2 government-owned cargo ships, 1 government-owned tanker, 1 long-term chartered tanker, 10 long-term chartered cargo ships, 2 long-term chartered container ships and 35 commercial ships chartered to support OEF. Of the 35 commercially chartered ships, 9 are US-flagged and 26 are foreign-flagged.

Mr. TAYLOR. What is the targeted year where the Navy ship numbers bottom out and we start going up?

Adm. CLARK. Assuming planned decommissionings and projected deliveries of ships currently under construction, the Navy battle force bottoms out at 291 ships in Fiscal Year 2006. From this nadir, the battle force count steadily increases achieving 305 ships by FY09 largely due to deliveries of 13 ARLEIGH BURKE (DDG 51) Class destroyers and 2 Littoral Combat Ships.

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. At the end of December and beginning of January, the *Navy Times* ran a two-part interview with Admiral Robert Natter, Commander, U.S. Atlantic Fleet, in which the following question was posed to him by the reporter:

"Reporter: With a potential BRAC (base closure) coming up again, one might presume that high on the navy's list of likely candidates might be Portsmouth and Pearl Harbor Naval Shipyards. Would that seriously impede your maintenance concerns?"

ADM Natter: Today, it would. In the future, I don't know. I'd have todo some analysis on what the loading requirement is. But I, for one, welcome BRAC, because I think we do have some excess facilities that we need to dispose of, because I could use the money elsewhere."

Obviously, you can't speak for the *Navy Times*, but these types of questions are generally provided ahead of time for such an interview, so I would be interested to know how Pearl Harbor and Portsmouth shipyards were singled out as BRAC tar-

gets. Furthermore, in the context of the Pentagon's push for another round of base closure, I have pressed Department of Defense officials (such as Secretary DuBois) and the services for some suggestions as to which installations they consider prime candidates for BRAC. No one has offered up one such facility, let alone a top five list. But now I read about a vital command in my own backyard, one of four remaining Navy shipyards and the provider of intermediate and depot level maintenance for Pacific Fleet submarines, labeled as high on the Navy's list of BRAC candidates.

Mr. Secretary, I would appreciate an answer from you about the Navy's intention with regard to the four public shipyards and specifically with regard to Pearl Harbor.

Does your department deem these facilities, or one or two of these shipyards, as acceptable "losses" through base closure or realignment through privatization?

Secretary JOHNSON. There are no facilities that have been predetermined for closure. The 1990 Defense Base Closure and Realignment Act was amended as part of the Fiscal Year 2002 National Defense Authorization Act to authorize another round of BRAC in 2005. The BRAC law sets out a very fair process and requires that: all bases be treated equally whether considered for closure or realignment in the past; all recommendations be based on 20-year force structure plan, infrastructure inventory and published selection criteria; all data used be certified as accurate and complete; and all recommendations be reviewed by an independent commission and the President. We will use the BRAC process to evaluate all bases and functions to develop recommendations. Recommendations will be developed only after we go through the entire process.

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ADM Natter: Today, it would. In the future, I don't know. I'd have to do some analysis on what the loading requirement is. But I, for one, welcome BRAC, because I think we do have some excess facilities that we need to dispose of, because I could use the money elsewhere."

Obviously, you can't speak for the *Navy Times*, but these types of questions are generally provided ahead of time for such an interview, so I would be interested to know how Pearl Harbor and Portsmouth shipyards were singled out as BRAC targets. Furthermore, in the context of the Pentagon's push for another round of base closure, I have pressed Department of Defense officials (such as Secretary DuBois) and the services for some suggestions as to which installations they consider prime candidates for BRAC. No one has offered up one such facility, let alone a top five list. But now I read about a vital command in my own backyard, one of four remaining Navy shipyards and the provider of intermediate and depot level maintenance for Pacific Fleet submarines, labeled as high on the Navy's list of BRAC candidates.

Can you please comment on the utility of our four public shipyards and what capabilities the Navy-operated yards bring to the table? Would you advocate for or oppose privatization of these four yards?

Admiral CLARK. The Navy is following the BRAC process and has not developed any lists of candidates or made any indications of BRAC impact on our naval shipyards. Any reports of lists having been developed are not coming from official Navy sources and are inaccurate. Any decisions on privatization would be based on careful deliberations through the BRAC process. That process has just begun to analyze the functions that will be the subject of future data calls. Any discussions or speculation on the results of these deliberations are premature.

Mr. ABERCROMBIE. Your testimony pointed out that you have been relatively successful in the past couple of years in "buying down" your backlogged maintenance, but that the funding level for fiscal year 2004 is less than the fiscal year 2003 amount. Can you provide an actual figure for fiscal year 2004 ship depot maintenance and an estimate of the current shortfalls by shipyard?

Secretary JOHNSON. The budgeted fiscal year 2004 ship depot maintenance funding is \$3.6 billion. This amount is less than the fiscal year 2003 funding because the fiscal year 2004 requirement is also less. The reduced fiscal year 2004 requirement is a direct result of the cyclic nature of ship maintenance, the acceleration of the retirement of our oldest, most maintenance intensive ships, along with the benefits provided in recent supplemental appropriations.

The budget reflects only two of the four public shipyards are mission (direct) funded and there are no shortfalls at these two yards. The other two public shipyards

are funded in the Navy Working Capital Fund and are budgeted to have no accumulated operating losses.

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QUESTIONS SUBMITTED BY MR. REYES

Mr. REYES. ATACMS—The Tomahawk missile is designated as the “Program of Record” weapon for the SSGN Conversion Program. Tomahawk is an “off-the-shelf” naval missile and can be integrated into SSGN at a relatively low cost. Even though it remains a subsonic weapon optimized for long-range strike missions, the Tomahawk could offer improvements in cost and tactical capabilities for SSGN.

To optimize support of Special Operations Forces, Marine Corps troops, and other ground forces ashore, integration of a supersonic tactical missile with SSGN would enable a quick reaction naval fires capability. The only long-range tactical missile currently in the Department of Defense inventory is the Army’s Tactical Missile System (ATACMS) missile.

There are insufficient funds in the Navy’s fiscal year 2004 budget to initiate a Proof-of-Principle demonstration for a missile airframe and to perform a submerged launch—prohibiting the integration of ATACMS into SSGN. (The cost of such an Encapsulation Demonstration would be approximately \$11 million. It would also establish a Proof-of-Principle for a variety of vital mission payloads.)

What is the status of planning for integration of a *supersonic* long-range tactical missile into SSGN?

Secretary JOHNSON and Admiral CLARK. The SSGN program of record reflected in the President’s Fiscal Year 2004 budget includes Tomahawk strike capability and Special Operating Force (SOF) capability. The Navy recognizes the advantages of the large payload volume of the SSGN and is studying future payload options. These payload options include both weapons and sensor platforms, such as Unmanned Air Vehicles (UAVs) and Unmanned Undersea Vehicles (UUVs). Although the engineering design of the SSGN is being accomplished in a fashion to facilitate insertion of future payloads and sensors, there are no approved additions to the program of record. The insertion of additional capability would occur as a future upgrade to the delivered baseline capability of the SSGN.

QUESTIONS SUBMITTED BY MR. GIBBONS

Mr. GIBBONS. One of the big issues, of course, is the retirement retention of qualified individuals to be out there in a very specific, very technically difficult arena, and that is gathering human intelligence across the world for our military, because you as a commander of the Navy require the best intelligence when you send your troops to war. The only way you are going to get the best intelligence is to have the best qualified people out there. But the current system, the personnel system requires them to leave that structure, to leave that environment, come back and become a captain on a ship in order to be in the promotional range, O-6, O-7 and above.

I would hope that we look and review that area for a specific opportunity to have a career progression that allows for these officers who choose that field to become good at it and be able to stay there and have a competitive status with other officers in the Navy.

Admiral CLARK. Both unrestricted line (warfare designated) and restricted line (intelligence officers) have roles in supporting defense Human Intelligence (HUMINT) requirements generated by the Defense HUMINT Service (DHS).

The Naval Intelligence officer career path is effective and ensures Naval Intelligence meets all Navy requirements. Naval Intelligence officers are qualified to perform all intelligence functions including HUMINT. Navy HUMINT billet requirements are not sufficient to support a separate career track within Naval Intelligence. In most cases, Naval Intelligence civilians, rather than military personnel,

are best suited to providing long-term specialized HUMINT skills. Federal law precludes assignment of Naval Intelligence officers to command-at-sea.

Warfare designated officers supporting DHS requirements are fully qualified and trained to do so. These officers, including those assigned as Foreign Area Officers (FAOs), remain within their respective parent warfare communities. All are carefully monitored to afford them every opportunity to remain competitive for command within their respective career paths. Many fill various Defense Attache requirements, four of which are designated and screened as Major Commands (Japan, Norway, United Kingdom, and Italy). While Defense Attaches' cannot remain in these billets beyond normal tour lengths, such assignments are considered competitive within their respective warfare communities.

Navy personnel policy allows all officers to serve full tours in each assignment, barring operational necessity that dictates otherwise. Sustained superior performance in a variety of diverse officer assignments, including sea duty, is always key to promotion competitiveness.

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. In terms of the tooth-to-tail ratio and the dollars that are going to our force versus, of course, the administration and other needs, how is that changing? Are you—you know, is it something that you watch and monitor and particularly now, of course.

General HAGEE. Though there are many definitions of "tooth" and "tail," most if not all label the bases and stations which support our operating forces as "tail." In order to develop a sound methodology to identify and collect all relevant support or "tail" costs, the Marine Corps initiated an extensive activity based costing (ABC) effort in 1999 (covering twenty of our major bases and stations). Under the activity based cost accounting process, we continue to closely examine the nearly three billion dollars of the installation "tail" resources (including military salaries of those Marines assigned to the installation itself) and are incorporating activity based costing and performance based output information into our Program Objective Memoranda 2006 review. The Marine Corps ABC effort is widely recognized as the largest and most aggressive effort in DOD.

QUESTIONS SUBMITTED BY MR. BRADLEY

Mr. BRADLEY. It is my understanding that the Navy's fiscal year 2004 budget for the IDECM program has been impacted by the cancellation of the Air Force B-1B DSUP program. Specifically, this cancellation means that the Air Force will not be providing funds to the Joint IDECM program in fiscal year 2004, despite that service's commitment to do so. Will this change in the Air Force's funding for the Joint IDECM program have any impact on the completion of the IDECM EMD program and its entry in Operation Evaluation?

Secretary JOHNSON and Admiral CLARK. The Air Force B-1B DSUP cancellation will have a minimal effect on the Integrated Defensive Electronic Countermeasures (IDECM) EMD program. The Navy will lose some insight into the ALE-55 performance on the B-1B that may have been helpful in determining the final design for the F/A-18E/F and the F-15. The greater impact will be on the Average Procurement Unit Cost (APUC) of the ALQ-214 Technique Generator (TG) and the ALE-55 Fiber Optic Towed Decoy (FOTD). The Air Force had planned to procure 60 ALQ-214s and 3069 ALE-55s for the B-1B. The increased acquisition costs over the life of the procurement for the ALQ-214 TG and the ALE-55 FOTD are approximately \$32 million in then-year dollars and \$23.5 million in then-year dollars, respectively. The Navy is pursuing acquisition efficiencies that will help mitigate the cost impact of the B-1B DSUP withdrawal from the IDECM program. The IDECM Block 2 (ALQ-214 TG and the ALE-50 decoy) is currently in OPEVAL and should be complete in the next two weeks. No major issues have been reported.

Mr. BRADLEY. If so, what is the Navy's plan to address this impact and ensure that the program stays on schedule?

Secretary JOHNSON. The Integrated Defensive Electronic Countermeasures (IDECM) Block 3 (ALQ-214 TG and the ALE-55 decoy) program schedule is being revised due to the B-1B DSUP cancellation and delays in the F-15 ALE-55 test program. RADM J.B. Godwin PEO(T), is convening an Executive Committee of all the Navy and Air Force principals to determine a path forward for the IDECM ALE-55 program that will meet both Service's requirements and will be presented for decision to ASN(RD&A).

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—SECRETARY OF THE AIR FORCE; AIR FORCE CHIEF OF STAFF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, February 27, 2003.

The committee met, pursuant to call, at 9:38 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order. And, Mr. Secretary and General Jumper, I want to apologize for starting a little late here. We had a little late finish here with General Holland, the special operators and—but we are ready to go.

This morning the committee concludes its review of the military services fiscal year 2004 budget request with the Air Force. And I am pleased to welcome back Secretary of the Air Force, James Roche and Chief of Staff, General John Jumper, to testify on the Air Force's budget request for the year.

The Air Force, like its sister services, has had to quickly adapt to a new strategic environment where America's adversaries have demonstrated a willingness to increasingly challenge the United States at home and abroad. And, to meet this threat, the Air Force has expanded its air expeditionary presence overseas and strengthened its defense at home.

Before September 11, 89,000 Air Force personnel were either assigned or deployed overseas. Today deployments have increased by 250 percent with air expeditionary forces (AEF) deployed to 44 worldwide locations including 10 new bases. Before the Global War on Terrorism began, only 14 fighter aircraft were on alert at 7 locations in the U.S. Today, 45 aircraft are on alert at 18 locations in defense of the American homeland.

In some cases, new requirements have outstripped the Air Force's ability to meet and sustain them and new solutions are being pressed into place. So, for example, some 9,000 Army national guardsmen are now being mobilized to provide force protection at Air Force installations due to a significant shortfall of Air Force security police in the active, National Guard, and reserve force structure.

Three weeks ago, Secretary Rumsfeld outlined the challenge before us. To win the war, the Global War on Terrorism, to prepare for threats we will face later this decade and to continue to trans-

form for threats we will face in 2010 and beyond. Faced with aging air and space systems that cost more and more to operate and maintain, the Air Force has a daunting challenge to sustain its current operation tempo, modernize for the decade and transform itself for future threats.

The Air Force fiscal year 2004 budget request is \$93.5 billion, an increase of \$3.6 billion from last year. While this budget makes improvements to important quality of life areas, the proposed level of funding to operate and maintain today's forces and to modernize, is simply not enough to sustain the current force structure or to improve the Air Force's aging infrastructure.

And, General Jumper, I think you pointed out the other day that the average age of your frontline fighter aircraft now is a little over 20 years, I believe.

General JUMPER. Yes, sir. 22, sir.

The CHAIRMAN. Which is an historic high.

The fiscal year 2004 budget request includes \$6.1 billion for the Air Force's flying hour program, an increase of about 5 percent compared to last year. However, this increase buys us about three percent fewer actual hours in the air because the cost per flying hour continues to climb due to the Air Force's aging fleet. The infrastructure budget request, which contains, sustains current facilities begins new military construction (MILCON) and supports based communication facilities is \$4.6 billion, a 10 percent decrease from the \$5.1 billion level in fiscal year 2003.

Like its aging aircraft fleet, the Air Force's aging infrastructure results in higher operations and repair costs. The modernization budget represents a mixed picture. While the request for research and development increases about 26 percent, the procurement budget decreases about 3 percent from 17 billion to 16.5 for fiscal year 2004. And I am particularly concerned about this procurement decrease since I believe that only through the accelerated replacement of the Air Force's aging equipment can we begin to control the escalating operating and maintenance costs that are consuming an increasing share of the budget, but buys no additional combat power.

To fund the increased cost of aging infrastructure and aircraft, the Air Force budget request includes a proposed reduction of 68 KC-135E air refueling tankers, which is projected to save about \$782 million across the future year's defense program. While further force reduction details for fiscal year 2004 are yet to be revealed, the reduction of air refueling tanker follows the planned deactivation of 32 of the Air Force's 92 B-1s in fiscal year 2003.

And, gentlemen, we have talked about that a little bit. I would just say from a personal perspective, knocking back a piece of your deep strike capability, which is very limited to begin with, the B-1s and accompanying that with a reduction of the lynch-pin for all of our aerial operations, which is our tanker capability. You know, we heard testimony from the Chief of Naval Operations (CNO) yesterday that the birds that were working Afghanistan were hitting the tank four times on the way in. Those tankers are gold. And the idea that we are knocking that back for monetary reasons is very disturbing.

These decreases in force structure at a time of increased deployments overseas, along with a higher alert posture at home and the prospect for military conflict in several regions of the world, present an increase in operational risk that needs to be fully debated and understood.

So, we all look forward to a candid discussion of the risks associated with our readiness, investment and transformation strategy, both in the hearing and in our more detailed subcommittee hearings to follow. And I think we got a—our subcommittees are up and running, gentlemen, and you are going to have a great opportunity to make your case. But, also for our members to make their case on doing some things that, perhaps, is not manifest in the budget documents.

So, I would now recognize the committee's ranking member, my partner, the distinguished gentleman from Missouri, Mr. Skelton, for any remarks he might want to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 441.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Thank you very much, Mr. Chairman. I am always thrilled to hear you pronounce the name of my state. You pronounce it correctly; Missouri and I want this committee to know that you have passed that major test.

The CHAIRMAN. Thank you.

Mr. SKELTON. Thank you very much, Mr. Chairman. It is certainly good to have Secretary Roche and General Jumper here with us today. Today is the birthday of America's greatest aircraft designer, the late Kelly Johnson, who designed the P-38, the F-104, the C-130, SR-71 and the Constellation P-3. And, I am pleased to see a continued rise in the Air Force budget request for this coming fiscal year.

You are going to be taking a lot of important innovative programs that will prove to be beneficial to combat power. And we in Congress can adopt the motto of the Ninth Strategic Reconnaissance Wing, "always vigilant." I think that is a good place to start.

In that spirit, I would like to highlight a couple of areas I hope you will address in your testimony. First, I understand the Air Force is considering force structure changes in several weapons systems. We would like to understand that better. Second, I was pleased to see, though not very large, but pleased to see the 300 person increase request in your proposal. I understand that is for special forces, but let me point out that there are 8,000 Army National Guardsman guarding Air Force bases, including Company C of the 110th Engineers from my hometown of Lexington, Missouri that is in training as we speak and going down to guard Whiteman Air Force Base in Missouri. How is the Air Force planning to address this force management challenge?

I would like to express my concern over the request for more leasing authority in your budget. In the long-run this seems a more costly way of promoting capability.

And, I would like for you to address, gentlemen, a very, very unpleasant subject. Today in the New York Times an article written by Eric Schmidt, CBS, 60 Minutes, the other day and last night, ABC 20-20 touched upon the sexual—alleged sexual misconduct at the Air Force academy. I am not sure what one can say, but you ask a mother of an aspiring young woman or young man that wants to go to the Air Force academy, would that mother tell them maybe they ought to look at West Point or Annapolis?

This is a major challenge for your service and I would appreciate your comments on that.

However, let me welcome you both. It is a privilege for you to be with us and share your thoughts today.

Mr. Chairman, thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 446.]

The CHAIRMAN. I thank the gentleman.

And, Mr. Secretary and General, obviously, you have a lot of—you have got a major operational challenge that you are undertaking right now. You are a massive piece of the staging operation that is taking place right now. We want to thank you for the long hours you are putting in and thank you for your service to the country. And, without objection, all your statements will be entered into the record. Mr. Secretary, the floor is yours.

STATEMENT OF HON. JAMES G. ROCHE, SECRETARY OF THE AIR FORCE

Secretary ROCHE. Thank you very much, Mr. Chairman. And, with your permission, sir, may I read some high points and then may I add—

The CHAIRMAN. Absolutely.

Secretary ROCHE [continuing]. Begin the answer to Congressman Skelton's question that will give John a chance to both give his comments and also to address Congressman Skelton and the other members on this very important subject of the Air Force academy.

The CHAIRMAN. Yes.

Secretary ROCHE. With your permission, sir.

The CHAIRMAN. Yes.

Secretary ROCHE. Well, thank you very much, Mr. Chairman, and Congressman Skelton, and members of the committee. It is my great honor to join General John Jumper today to represent the 700,000 active guard, reserve and civilian airmen who are engaged in defending our nation and serving our nation's interest around the globe.

We are very proud of their achievements this year from combat operations and homeland defense to their daily efforts that guarantee the readiness, health, security and morale of our fighting force.

In particular, as I said last year, it is my absolute thrill and honor to serve with General John Jumper. He is a man for all seasons. I have gotten to know him better. And I think this country has no finer military officer in service. And I delight in his humor, and I delight in his collegiality and I delight in his joining me to try to make this Air Force as wonderful as it can be.

So, thank you, John.

General JUMPER. Thank you.

Secretary ROCHE. In our travels around the Air Force, Mr. Chairman, we have been impressed and humbled by the creativity, commitment, professionalism of some of our airmen, of all of our airmen. And, with your permission, sir, I would like to be able to introduce one of our very special airmen, an air commander and combat controller, Staff Sergeant Alan Yoshida, who is behind me.

Alan is quite a young man. He is one of the 12 outstanding airmen of the Air Force this year. I had the occasion to award a Purple Heart for his wonderful service in Afghanistan.

He has been working on some of the vast majority of this for us. And the beauty of it is that John and I work for him, too. So, thank you.

Now, of utmost importance to our continuing folks on war fighting and delivering the capability that enables us to remain expeditionary and responsive. The combatant commanders rely on us to provide a full spectrum of capabilities from global strike, response, and mobility to battle space awareness and control. All while providing an umbrella of homeland security and nuclear deterrence to our nation.

Through the efforts of this committee, your colleagues in the Congress and the dedicated airmen like Sergeant Yoshida, I am proud to report that we currently are meeting these objectives, Mr. Chairman. We have some good news. A year of challenging operations, new concepts, readiness advances and investments in our people provided us with many good news stories.

In defense of the homeland, we flew over 25,000 Operation Noble Eagle fighter, tanker, airlift and airborne warning sorties made possible only through the mobilization of over 30,000 airmen from the Air Force Reserves and Air National Guard. They have conducted over 75 percent of all the Noble Eagle missions. It has truly been a total force experience and they have been wonderful.

Today we have more than 200 military aircraft at over 20 air bases that remain dedicated to providing continuous combat air patrols or on call support to high-risk areas across the United States, and we conduct random patrols over other cities and key facilities, as you noted, Mr. Chairman.

In Operation Enduring Freedom we flew more than 40,000 sorties in 2002, over 70 percent of all coalition sorties. Over 8,000 refueling missions, 55 percent of which went to Navy and Marine Corps aircraft, made joint operations in a distant landlocked nation possible. In Afghanistan, our special operations teams developed new ways to bring air and space power to bear in a variety of ground engagements.

Notably, the combat controller colleagues of Sergeant Yoshida integrated new technologies and precision weapons so that we can truly do close air support from 39,000 feet using aircraft like the B-2 bomber, B-1 bomber, B-52, as well as Navy and Marine Corps and Air Force aircraft.

We sustained a forward presence around the globe, protecting our nation's interests and assuring our allies with over 35,000 deployed airmen currently serving at some 50 expeditionary bases in over 35 countries, plus an additional 50,000 airmen permanently assigned overseas.

In space we continued our professional operation of a variety of satellite constellations delivering essential capability to war fighters and civil consumers. Last year we launched 18 missions at 100 percent success rate, including the first space launches using the evolved expendable launch vehicles.

Finally, we are doing better at mastering how to target and engage time critical moving targets, something we are working on all the time. Continuous improvement in readiness and technology made many of these successes possible. With the terrific support of the Congress and Secretary Rumsfeld, we successfully consolidated our B-1 bomber fleet, as you noted, but we improved the operational readiness dramatically. Its mission capable rate was up 10 percent last year and is now at 71 percent, the highest in its history.

The increased spare parts funding this committee and the Congress has supported is paying off, as well. 16 of 20 weapons system improve mission capable rates last year. The C-5B achieved its highest mission capable rate since 1994 at 73 percent. It did so while flying the highest sortie rate since the Gulf War.

Congressman Skelton well knows that the B-2 improved over 33 percent and the A-10 was up 8 percent and our F-15s were up 5 percent. These are the best mission capable rates we have experienced in five years, and the greatest improvement we have achieved since the mid-1980s. This is because the spare parts you provided and some extraordinary heroism among our maintainers, who have worked hard to keep these old aircraft going.

We have taken delivery of 25 C-17s since 9-11. We have expanded our Joint STAR'S fleet to 14 aircraft, receiving our 10th consecutive aircraft ahead of schedule. With the standup of the very first blended wing of air national guard and active duty forces flying the Joint STARS at Robin's Air Force base, we took another step forward enhancing operational capability and truly transforming our force. The first time a wing as guard and active and mixed. In fact, the first commanding officer of the wing is a guard officer.

Our F/A-22 program's improving and the Raptor is currently meeting or exceeding all key performance requirements. And we have delivered our initial production aircraft to Nellis Air Force Base, have restructured the upgrade spirals to focus on developing the system's air to ground capabilities.

But, we are experiencing some ongoing issues with software integration and face classic challenges in transitioning from develop to production. It is not unusual to see these sorts of things at this stage of a program.

We have continued our efforts to make the acquisition process responsive and flexible. We have successfully applied this approach to our acquisition of armed and intelligence surveillance and reconnaissance-capable predictors. With our budget we will continue to add Hellfire missile capability to all new additions to the Predator fleet and significantly contribute to unmanned combat aerial vehicles (UCAV) research and development. By 2010, we will have 27 Predator systems, which equates to over 125 air vehicles. We have also made a significant investment in global hawk unmanned aerial vehicles (UAV), giving us 24-hour persistence over the battle space.

Now, Mr. Chairman, at some time in a closed meeting we would be delighted, General Jumper and I, to tell you how we are—what our strategy is in this whole unmanned area and in particular, a remotely piloted aircraft.

We will have a considerable number of families of aircraft that we will be working with real operators to understand how best to use them, replicating what the Army Air Corps did in the very end of the 1930s, where they had multiple types of airplanes choosing doctrine for them. So, at some time, sir, you might be interested in that.

The CHAIRMAN. Would that be—that would require a classified briefing on that?

Secretary ROCHE. Yes, sir.

The CHAIRMAN. Why don't we do that as soon as possible and why don't we do it, invite all members of the committee to come to that and let's try to do it upstairs here.

Secretary ROCHE. Fine, sir.

The CHAIRMAN. And, let's do it quickly.

Secretary ROCHE. Be glad to, sir. It will show you that we are approaching this in a very novel way.

On the people front, we have had much good news to report, as well. We have made progress in enhancing educational opportunities and strengthening the technical foundation of our force. We are creating an Air Force Systems Engineering Institute at AFIT, the Air Force Institute of Technology. It will offer master of science degrees, as well as certificate-awarding courses and systems engineering we identified as the single biggest weakness, both in our own acquisition system and in the industrial base.

We formed a partnership with the Navy for post-graduate studies and they are taking advantage of the institutional strengths of AFIT and the Naval post graduate schools to enhance technical education of both services personnel.

Finally, we have opened AFIT to some of our enlisted men and women for the first time to pursue advanced technical degrees. We currently have eight airmen and six Marines who are at AFIT earning a master's-level degree in technical programs.

The Air Force rated officer retention is improving and pilot retention is the highest in four years. We completed one of our best recruiting years ever, exceeding the enlisted accessions goal of 37,000 by almost 700 young Americans. Now, while we are making progress in adapting the Air Force to the new challenges we face, I personally remain concerned that we can do better to deliver superior combat capability to our warfighters.

The increasing proliferation of advanced surface-to-air missile systems threatens our ability to gain and maintain air superiority. An advanced fighter has already been produced, specifically the Russian Su-37, that is superior to our best fighters. Our reliance on, and threats to, our information and communication computing systems are increasing and the trend shows no sign of reversing.

The proverbial first shot of space warfare has been fired with the introduction of Global Positioning System (GPS) jammers, a capability specifically designed, albeit unsuccessfully, to neutralize our precision strike systems.

And, I should say, Mr. Chairman, if anyone in Iraq thinks that the jammers are going to thwart us, they are in for a surprise.

But, as we grow increasingly dependent on space, we can expect a comparable increase in counter-space threats. We are now facing the unreliable—undeniable reality that other nations are investing in advanced American military technologies and fielding the best our aerospace industry has to offer in their Air Forces.

While the investment of our good friends and allies is a great value to our alliances and industrial base, superior capabilities are now or shortly will be present in American-produced airplanes that do not fly the American flag. Who has the aero-battle management desk platform? Japan. Until we field the FA-22, who will have the best two-engine multi-role fighter? Republic of Korea. The F-15K, produced by Boeing for the Republic of Korea, has an advanced passive infrared search and targeting system, anti-jam GPS navigation, advanced avionic display suite, and is night vision goggle-compatible.

In the near future, we will have the best single-engine fighter in the world. Who will have it? It is built in the United States. The block 60 F-16s we start delivering in 2004, less than six years from contract signing, will employ an active electronically scanned radar array, an advanced targeting pod, advanced electronics weapons suite, and will be powered by one of the best jet engines being built today.

Our F-16 pilots do not have these advances, nor do they have the advances being deployed in new F-16s to be delivered to Israel, Greece, Singapore, Chile and Poland. This concerns me, Mr. Chairman. It should concern anyone who cares about giving the best our nation has to offer to the men and women of our armed forces.

This is not an argument against foreign military sales. It is fundamentally a continuing recognition of the need to recapitalize our aging aircraft fleet, and I could not have said it more eloquently than you did, sir.

It is time for us to reverse some of these trends and make a renewed commitment to investing in the best technology our aerospace industry has to offer for our armed forces. And, John Jumper and I have gone back to each of these foreign contracts to look at when the contract was signed, when are articles being delivered, and we are stunned that we are so far off on the amount of time it takes to deliver systems to the United States Air Force. And so, we set a goal, at least within our Air Force, to streamline our own acquisition process to match the dramatically shorter timelines foreign buyers enjoy when they fund and buy American.

And, by the way, these aircraft they are buying have enormous improvements, electronics and engines with very, very great integration problems, but they are able to do it in one-fourth of the time we are. And, even if we were to double that time because of new fuselage and wings, we still fall within one-half of the time. They can do it half the time faster than we. So, something is not right with our way of acquisition.

Now other nations are modernizing. We continue to employ aging systems that are becoming more difficult to operate and more expensive to maintain. Even with planned aircraft procurements, the

total fleet average age is expected to increase from 22 years to 27 years by the year of 2020. That is if everything is on schedule.

And, while average age communicates in the aggregate picture, in some age of design, such as the KC-135, some aircraft will soon approach 50 years of age. And, to give you a sense of the age of some of these things, Mr. Chairman, I should point out that a number of the tankers currently flying, including some of them we wish to retire, were flying in the American Air Force prior to my being commissioned into the United States Navy. And, I am old, Mr. Chairman. These planes are old.

I should tell you every single tanker of our C-135 category was flying for the United States Air Force prior to a young gentleman named John Jumper being commissioned as Second Lieutenant at the Virginia Military Institute (VMI). These aircraft need to be modernized and the oldest need to be retired, sir.

The tyranny of age has birthed the long promised modernization death spiral. We are now migrating dollars from procurement to operations and maintenance accounts to sustain our aging fleets. For example, in 1997 the direct cost of corrosion maintenance for all Air Force aircraft was \$795 million. Today we estimate it to be well over one billion a year, despite a five percent reduction in aircraft inventory of the oldest aircraft out of the inventory in the same period.

The KC-135 is one of our most serious concerns, as you noted. In the last decade mission capability rates are down 16 percent. Program depot maintenance costs tripled. Depot workload packages doubled and flow days more than doubled, primarily due to the challenges posed by corrosion on old fuselages. Other systems face other challenges.

Our F-15Cs have suffered catastrophic vertical stabilizer failures, forcing us to limit the operational flight envelop for our front-line air superiority fighter.

Two-thirds of our entire F-15C fleet now average over 21 years and the stresses on that airframe will only increase. Corrosion is now causing major cracks to the oldest 15s and also to our 219 C-130 Echoes, who are also suffering corrosion problems. But, our maintainers are doing a phenomenal job of keeping these going under the circumstances.

The difficulties posed by aging systems are felt in our space operations, as well. We face degrading on orbit capabilities, obsolete range circuitry, deteriorating minuteman missile propulsion and guidance systems and failing minuteman display units.

Now, this budget for 2004 addresses many of these challenges and supports the Department's priorities. It accelerates our modernization and joint capabilities and maintains the gains and readiness in people programs we achieved each year. But, more and more of the money is going into maintaining older systems.

It gets money to our procurements funds and it funds essential capabilities our warfighters need. I strongly request your support. Our number one priority remains our people. We appreciate deeply your continued support of pay raises for our military and civilians. The 4.1 targeted pay raise continues to bring military pay closer to private sector compensation for our men and women and we all thank you.

Our readiness budget increases by six percent this year. It funds an expanded six billion flying hour programs, sustains the positive trends we have achieved in our readiness growths. However, depot costs are outpacing our Air Force budget growth. This is a concern we have addressed by looking for innovative ways of delivering capability while acting responsibly as the nation's stewards of our treasury.

Our plan to retire 68 KC-135 Echoes and our proposed—proposal to lease 100 new 767 tankers, are examples in this innovation, at least as we see it. But, margin capability contributed by the Echo model tanker is becoming too expensive to justify. Its offload capability is only 84 percent of the R-models and these aircraft spend almost twice as much time in depot.

Retiring 68 of these aged aircraft allows us to avoid costly repairs and allows us to use the money to reinvest in the existing fleet. Our tanker lease proposal, which is under consideration by the Secretary of Defense, we would hope would give us a chance to get a head start on mobilization. If Secretary Rumsfeld approves we will be bringing this to the Office of Management and Budget (OMB) and also to you, sir.

Mr. Chairman, we are also working with Secretary Rumsfeld and our colleagues to assess, advocate and implement a range of sensible management practices that we believe will help minimize bureaucratic obstacles in the path to effect the future administration's department. Particularly we are looking at measures to transform our personnel system, acquisition system, the administrative system and range management practices. And we appreciate your support there, sir.

As we look forward to the journey ahead, we are excited at the opportunities we have to serve and defend our nation. We remain focused on developing professional airmen, transitioning new technologies to warfighting and developing operational concepts that promote joint and coalition integration. Most important, with this budget, we reaffirm our commitment to deliver operational systems to warfighters and the men and women who fight our nation's wars.

Mr. Chairman, we thank you for the investment you have made in our future, and for the trust you and your colleagues have placed in our concerted effort to provide America with air and space dominance. Thank you very much.

Yes, sir, with respect to Congressman Skelton's point, I will speak and then ask my colleague to speak. We first became aware that something was grossly wrong when we received an email back in mid-December. One of the members of the Congress had sent us a letter before that and we were looking into a single case. When it appeared that something was broader than that, we immediately started to organize to go after it.

We have a very simple proposition, Mr. Chairman, with which we hope you agree. We must not commission any criminal. We must not allow any cadet to take violence on any other cadet. And, sexual assault and rape are acts of violence. They are not breaking regulations. They are acts of violence.

We are committed to rid the Air Force Academy of any cadet who, like any officer, would sexually assault anyone, including a

fellow cadet. But, we are also committed to ridding the Air Force Academy of any cadet who would knowingly harbor some cadet who has done this, someone who knows something and does not come forward. And, we want to rid the academy of any cadets who would shun any victim because that victim came forward to do something for our Air Force.

Why are we so dedicated to this? Not just because it is the right thing to do, Mr. Chairman, and it is, but because we cannot tolerate an officer who has such bad judgment as to have done something as alleged by the victims at the academy. We cannot tolerate that this officer might be flying an aircraft with 4,000 pounds of weapons under him and using his judgment instead of following the rules. This is something that must go away.

And, just as Jews cannot fix anti-Semitism and African Americans cannot fix racism, at the Air Force Academy, it is not the women's responsibility to fix this problem. It is the responsibility of the Air Force and the male cadet at that academy, and that is what I intend to tell those cadets when I travel there tonight. General Jumper would have wanted to join me, but unfortunately, his schedule is such that he cannot.

So, we will not tolerate this, Mr. Skelton. We will not tolerate it because it is wrong for our Air Force. And it is wrong for any taxpayer's daughter to have to have her parents fear that by going to the Air Force Academy she might be in jeopardy. That is not this country and that is not our Air Force.

John.

[The joint prepared statement of Secretary Roche and General Jumper can be found in the Appendix on page 449.]

The CHAIRMAN. Thank you, Mr. Secretary.

General Jumper.

STATEMENT OF GEN. JOHN P. JUMPER, CHIEF OF STAFF OF THE AIR FORCE

General JUMPER. Thank you, Mr. Chairman, Congressman Skelton. It is a pleasure to be here today and to be able to stand—or sit beside my boss, Dr. Jim Roche, who—and to tell you how wonderful it is to have someone who is blessed with 23 years of military service, he brings the experience of command to this job, as well as a wonderful experience of being a very successful businessman. And I think we have been able to successfully make the transition to old saw to old airman and I think you could see in him the passion that abides for our airmen. And I could not be more delighted to be his partner and be sitting with him here today.

Mr. Chairman, I would like to thank the members of this committee on behalf of our airmen out there who are deployed around the world for your support in, not only the incentives that you have championed and approved that are giving us the best retention rates we have had in our Air Force for many, many years, but also pilot retention rates that are higher than they have been for many, many years. And it is due to the concerns and the incentives that have been provided by this committee that we owe, in large measure, that appreciable improvement. And we thank you for that.

Also, let me tell you, the greatest thing that contributes to the retention of an airmen is to put the part in his or her hand that

will fix his or her airplane. And the readiness improvements and the investments we have made in spare parts to deal with these aging aircraft problems are paying off in, as the secretary said, in higher mission capable rates that also transfers directly to retention. Because when we show those young airmen out there our support for getting them the resources they need to do their job, they do stay with us.

And, I cannot tell you how much I appreciate that, Mr. Chairman. Sir, in this year we celebrate 100 years of powered flight. And, what a different world it is from the days of fabricates and wood to the frontier of space. We look forward to a year of celebration and a challenging year in employing that air and space power that the United States people have invested in.

Our people problems are, as the secretary said, are the ones that are most troublesome. As we prepare for whatever the President might ask us to do, we have done it within our air expeditionary force that you described, Mr. Chairman, but we have had to pull 23,000 airmen forward into the current deployment packages in order to get the job done that we need. Our air expeditionary force construct is giving us the ability to highlight our shortages and to try to be able to shift resources from specialties that are more robustly manned to the chronic shortages, and we are taking the opportunity to do that as best we can.

The secretary touched on the aging aircraft problem and I can only say that we would invite anyone out to Tinker Air Force Base to go on the depot line and see the KC-135s firsthand. What you will see is the skin that is made with three types of metal when they get moisture inside. As a matter of fact, the people out there call the KC-135 affectionately, the battery, because of the corrosion that is caused by the moisture and the dissimilar metals. You can pull the two outer layers apart and powder falls out from the middle. It is to the point that something needs to be done, as the secretary said.

The secretary mentioned the FA-22. Sir, in the end, I believe that the committee and the people of this country expect the United States Air Force to go do their part to win the Nation's wars. And to do that, you have to put firepower on target. This is the one piece of modernization we are doing that actually puts firepower on target in ways that bring 24-hour-a-day stealth to the battlefield in ways that penetrate the next two generations of surfaced air missiles that we know about, in ways that deal with the Su-37 that the secretary has spoken of.

And, as you all know, from time to time we get our hands on these airplanes and we put people in the—our best fighter pilots in these airplanes, not only Air Force, but Navy and Marines Corps. We give them two or three hours in these airplanes and we fly them up against our best in the F-15 or the F-14 or the F-16 or the F-18 with—that have thousands of hours of time in that airplane. And our guys flying their airplanes beat our guys flying our airplanes every time.

It is time for us to take a look at that and that is why we are so enthusiastic, sir, about the FA-22.

The secretary also mentioned space and it is disconcerting to me as I look at the aging figures to see the Defense Satellite Program

now is 33 years old. The Minuteman III is now 30 years old. These things that always I visioned as gleaming vehicles that were meant for space and were all shiny and bright and new are now showing their age, as well.

And, again, in the whole notion of recapitalization, Mr. Chairman, we have to make sure we are paying attention to our space programs. But, in the end, sir, it all comes back to people. And, I cannot tell you how proud I am, as I have visited around the deployed locations around the world, to see our total force, our active duty, our National Guard, and our Air Force Reserve serving so proudly.

I was standing at an airfield visiting an airfield over in South-west Asia, and a young captain, a civil engineer; red horse engineer was completely rebuilding a runway, a major project by any standard. And he comes up and salutes to me. He is an air national guardsman and he said, "Sir, I started this project. They are trying to send me home in a couple of weeks. I just want you to know that I am not leaving until it is finished." And his chief standing behind him said, and me either. So, I said, "Fine with me, you stay until it is finished." These are the kinds of people we have.

We have instituted a program that we did not really think much of at the time. It was an Air Force symbol with an E between the wings. And we send these out to the employers of our National Guard and Reserve who let their people go and put on the uniform. In response to this, we have gotten literally thousands of letters in return.

And you will see employers, if you look hard enough on the lapel, the Air Force symbol with the E in the middle. It is an idea we stole from World War II. It is amazing to me, Mr. Chairman, how grateful and how patriotic some of our employers are in all of your states out there that are supporting our people in uniform. And it is a real point of pride for the nation as far as I am concerned.

Sir, we had some tragedy that has followed our involvement in Afghanistan over the last year. And the secretary and I have had the privilege of going and traveling and giving some of the nation's highest declarations to some of our heroes. You have met one of them here today. But, there also those that did not come back.

And, Congresswoman Wilson knows very well our visits out to her state where we gave the Air Force Cross, the nation's highest—second highest declaration for valor, to Senior Airman Jason Cunningham. Airman Cunningham was a para-rescueman onboard a helicopter with a group of Army Special Forces and he was accompanied by two other airmen.

As a para-rescueman, he was charged with the health and welfare of his team. And, as the helicopter approached the landing zone, it was shot down and immediately they were surrounded by bad guys and were taking casualties immediately. And Senior Airman Cunningham pulled them out of the CH-47, got them to as safe a location as he could and over the ensuing hours, as they called in closer support, the other airmen there called in close air support to try and get them out. Senior Airman Cunningham was mortally wounded.

And, at that ceremony, the Army guys that were aboard that helicopter were there. And they told me how Senior Airman

Cunningham instructed them on how to save the lives of the wounded because he knew he himself was not going to make it.

And I gave the Air Force Cross, along with Secretary Roche, to his young wife Theresa, the mother of two children, two small girls. She is enrolled in Reserve Officer Training Course (ROTC) at Valdosta State College near Moody Air Force Base, where they were assigned, and she will come into our Air Force this summer as an officer.

It is these kinds of heroes that surround you all the time in our business. I know you all know that. But I wanted you to hear that story and be as proud as I am of these airmen.

So, Mr. Chairman, it is a pleasure for me to be here today, to be here with my boss, to be here in the presence of people who care about our military and our nation, and I look forward to your questions, sir.

And, let me just comment on the Air Force Academy, as well. I am the father of three daughters. Two of them are in the Air Force. The third will start ROTC next year. And, so I have a personal investment in making sure that our Air Force Academy is a place that is worthy of your nominations of your constituents to attend. And, as the secretary said, we will do everything in our power to make sure that that is true.

Our officers, our prospective officers at the Air Force Academy, must be endowed with a basic respect for one another that they do not let themselves get each other into these situations and that they have enough respect to avoid these situations. It has got to be a basic part of their character and in their upbringing on the same level as we enforce the honor code.

Mr. Chairman, I join with the Secretary of the Air Force in assuring you that we will create that environment and we will make sure that we get to the bottom of this and have the processes available for all of the women at the Air Force Academy to be able to come forward and to be able to be assured that their concerns and their situations will be properly dealt with.

Thank you, Mr. Chairman.

[The joint prepared statement of General Jumper and Secretary Roche can be found in the Appendix on page 449.]

The CHAIRMAN. Thank you, General.

And, thank you, Mr. Secretary.

And, Mr. Kline, at the last service hearing with the Secretary of the Navy, you did not get your question in. That was my fault. So, I am going to yield my time to you for 30 seconds. No, I am going to yield my time to you for whatever time you need.

Mr. KLINE. Thank you, Mr. Chairman. 30 seconds.

And, thank you, Mr. Secretary and General for being here today, for your testimony. As we have listened to testimony from other service chiefs and other secretaries, almost in every hearing one of my colleagues has asked a question about the Guard and the Reserve and their utilization. As we know, in Minnesota has been flying cap missions, and I am sure that is true around the country on a sporadic, perhaps, basis.

If the requirement is to increase those caps, what is your vision and what is your plan in how to use the Guard, the Reserve and the active forces to provide that kind of protection and to provide

the force projection that we are talking about overseas, and in the context of the overall end strength of the Guard, the Reserve and the active forces?

Secretary ROCHE. Sir, one of the characteristics of the modern day is that we are all struggling to define what that new baseline of activity is after we come out of the Desert Storm through the Kosovo War, now through the situation in Afghanistan, looking forward to an enduring war on terrorism, and now facing whatever might be required of us in Southwest Asia. All of this adds to the baseline of activity that we have to be able to sustain. Noble Eagle added also a rather severe dimension to that baseline of activity.

And the question in all of our minds is how do we have to resource ourselves to be able to deal with that new baseline level? We do not know what that is yet and we are going to have to develop that over time. But, we can be sure it is going to require a mix of Guard, Reserve and active in some proportion that has probably changed from what we have today.

For instance, we have two of our National Guard units out there that are normally training units sitting active alert doing operational duty. That costs us training that we cannot afford to lose. So, there is going to have to be adjustments made there.

You have seen us make some minor adjustments in the combat search and rescue because we had put a little too much of that over in the National Guard and we brought it back to the active to compensate for what we lack. These adjustments will continue to have to be made.

Today, the unit flying over Washington D.C., as we sit here and speak today, is an active duty unit. But, 75 percent of the time it is a National Guard unit that is doing those tasks. So, we are going to have to continue to look at this. Adjustments will have to be made. And, we are going to have to see where we settle down on the new baseline of activity in this world we live in, sir.

General JUMPER. Like him, Mr. Kline, we are very concerned that we do not break the Guard by using these folks who are supposed to be a plenum, to sort of help us on a contingency. The new world seems to be a contingency after contingency. They are not only part of Noble Eagle, but they are also part of our rotation base. And, so we have been very, very conscious of not doing things or assuming things about them. They have been quite wonderful.

And, we benefit greatly by volunteerism in the Guard and in the Reserve. But, we work very closely with the Guard Bureau and the head of the Air National—the reserve units in order to be able to do sensible things. One of them, for instance, if we retire these old KC-135Es—remember those are Guard crews—they will go to ours because the planes can fly more than the crews can. Excuse me; the crews can fly more than the planes can.

And, so we can add multiple crews to a single plane. There are a number of other things we are doing. The blended wing—if it works on Joint STAR, this will be a wonderful model for the future and it is a wonderful way to be able to introduce the Guard and the Reserves into some of the new technology we are getting.

But, the mission of Noble Eagle is not one we see going away at any time in the future.

Mr. KLINE. Thank you. And, I appreciate the difficulty of trying to work through these force structure discussions. Each of the services is struggling with much the same issue. I guess I would just hope that as we move forward here, that each of the services and the Air Force today is looking at end strength as part of that force structure.

I spent my life on active duty and so I know—I look at it from that perspective. But, now I have been talking to a lot of reserves and guardsmen and I think there is a growing strain out there and I do not know how long we can delay facing the issue of end strength in each of the components. I do not know what the answer is either. But, I suspect that we need more end strength.

General JUMPER. We—if I may, Mr. Chairman—we are respecting and absolutely agree fundamentally with Don Rumsfeld's notion that we should see where do we have our airmen now and are the things we can stop doing with uniformed airmen so as to free people up. We found that we have 12,000 of our airmen not working inside our Air Force active duty of 350,000, 359,000 active duty Air Force. We are trying to get them back, bring them home. We found too many of them in the agencies. Too many of them have been loaned labor that has stayed there and they got replaced there.

When that is all said and done, and it is one of the—and, adding to that the fact that I must tell you that I very strongly support the secretary in the base realignment and closure (BRAC) area because we are defending bases that we think can be consolidated. And this is costing us to the point where we have exhausted all of our own active duty force protection force.

We have now basically drained the Reserves of all of theirs and they have to get back to their lives at the end of this fiscal year because, we—of the 14,000 had their extending, close to 10,000 were reservists, but we are depleting the police and fire departments of many small towns. That is why, as the chairman noted, we have effectively hired close to 8,000 Army National Guard to come and protect our bases until we can get the number of bases down, find out the new steady state, and we also have to protect the new bases we opened overseas. So, we are under particular strain and the Guard and Reserve have just stood very tall. We are terribly proud of them.

Mr. KLINE. As are we all. And, I know that the Guard and Reserve who are called up are proud to serve. My guess is having talked to some of them, they would rather not be guarding bases. But, I know they are proud to serve and we are proud of them. I see my time is expired.

Thank you very much and thank you, Mr. Chairman.

The CHAIRMAN. Your 30 seconds is up and the gentleman from Missouri, Mr. Skelton.

Mr. SKELTON. Mr. Chairman, thank you very much.

We appreciate you both being with us today. And, I would be remiss if I did not tell you the admiration we have for you, the confidence that we have in you, and we could not ask for a better team than the two gentlemen sitting before us. We thank you for your dedication and your service.

General Jumper, you said it right a few minutes ago when you said, "In the end it all comes back to people." And, we thank you for bringing staff Sergeant Yoshida with us today and your comments about Senior Airman Cunningham; they make us proud. They make you proud. And the issue that I raised a few moments ago at the Air Force Academy and your positive investigative attitude toward it, is encouraging for us.

General, you are the role model and the father figure of everyone in the Air Force. So for the record, because all of us take great pride in naming young folks to the service academies, young men, young women, who are the best and the brightest in their high school classes. So, for the record, would you tell us what we should say to the mothers and fathers of America, as why they should encourage their daughters and their sons to attend the Air Force Academy in light of the recent situation?

General JUMPER. Yes, sir. Thank you for that question, Mr. Skelton. The answer, I think, is very simple. The leadership of the United States Air Force will very quickly take all actions that are required to make the Air Force Academy worthy of your trust and confidence and the trust and confidence of your constituents. We are the greatest Air Force in the world. We have women on active duty today who are serving in nearly all, including combat specialties, that make us proud.

As I said, I am that father figure because I also have daughters in the Air Force. They are proud to serve. And I can only assure you and them that every step will be taken to return the Air Force Academy to a place of pride, a place of mutual respect, and a place where all cadets can be proud of their institution and their service.

Mr. SKELTON. I thank you, and I am sure that the families in America will appreciate and understand your comments. I'll reserve my other questions, Mr. Chairman, for a later moment.

The CHAIRMAN. I thank the gentleman from Missouri.

The gentlemen who chairs the Readiness Subcommittee, Mr. Hefley.

Mr. HEFLEY. Thank you, Mr. Chairman.

And, let me just say to both of you, we have talked about this situation at the academy. I represent the academy. I have been enormously proud of the academy over the years. We will be proud of the academy again. But, this is something that we will not tolerate and I have appreciated so much the way both of you have jumped on the situation and had the attitude of no tolerance.

Sometimes these kind of things, it seems like, are kind of winked at. Neither one of you are winking. You are serious about it and we—I commend you for it and I thank you for the way you have worked with me and my office regarding it.

On the aging airplanes, boy you made a—you both made a good case on the aging airplanes and I am concerned about that. I read an article last week in stars and stripes about the F-15s and how the pressure we are putting on them—we maybe could strength them out longer—but that we are putting such enormous pressure on them that these things are going to begin to fall apart that we are indicating.

And I was out at Nellis the other day and I saw the first FA-22. And it is a wonderful piece of machinery. It is also a very ex-

pensive piece of machinery. And the F-15 is a tremendous piece of machinery, as well.

It does not do everything the F-22 does, but it is still a wonderful piece of equipment and I just wonder, are we convinced that the—we should put all our eggs into the F-22 basket. Or should we continue to replenish our F-15s and use them in certain missions and roles? It seems to me it is a very good aircraft and not as expensive, or maybe it is as expensive now. Maybe you want to say that it is.

Secretary ROCHE. I will start and ask John to finish up. The issue is is trying to take some of the F-15 and go forward. There is nothing we can do to the F-15 that will give it super cruise. There is nothing that we can do to the F-15 that can really reduce its cross section, lower its stealth.

The FA-22, as we have modified it, is the only aircraft that is around that is going to be able to have any effect against targets of the moving deep enemy territory. We have nothing else that is doing that. And most of our enemy realized that if it is a stationary target—a conversation the chairman and I have had a number of occasions—we now can target a stationary target over and over and over with a combination of our platforms, our precision weapons our assisted service of the Navy cruise missiles, their aircraft.

The other thing is something that is moving in the background. And a lot of things are doing that, whether it's surface-to-air missile systems or Scud launchers or increasingly mobile command posts. And, even in some cases, mobile systems to create chemical weapons.

Second, as we have looked at the future, besides mobile targets that are deep, cruise missiles are going to increasingly become a problem for our forces, pray God, maybe never to our country, but potentially. The only aircraft that has the ability to have multiple shots and a good chance of getting it, the stealthy cruise missile, is the FA-22 as we have reconstituted it. It is, by far, the world's most dominant air-to-air fighter. But, we have not said that that is the reason why the taxpayers should invest in them.

Last, the cost often times gets confused. We are now at a point where we are coming down the cost curve. It is still an expensive airplane, surely. It is around 120-some million dollars a copy for what you pay for the next one, the marginal cost. We are driving to a point of trying to get a steady production line. When we do, we know how to go after cost when there are not all of these disruptions.

So, sir, in the case of something like the C-17, there was a time a few years ago where the average of the C-17 was over \$400 million a copy because it went from 220, 110—excuse me, 210, 120, 40, 0, 40, 80, 120, now \$180. \$16 billion was lost because it bounced around so much. Once it became a stable program at \$15 billion per year, we have seen reliability go up, such that we take delivery and we fly to the area of responsibility (AOR) within 48 hours. We have seen costs come down.

In the case of the FA-22, we already have an arrangement for the manufacture of the radar. We improved the radar dramatically and reduced the cost per radar by over 40 percent. Because it is the same radar that goes in the F-35, well, parts are the same.

We have now talked to the engine manufacturer and do the same thing. We shortly will be dealing with the communications manufacturer, electronic warfare manufacturer. We are convinced we can get a lot of those costs back once we have a stable production line. But, we are living with a program where spare parts were not purchased for this phase of the program, money was not budgeted for the integration and test phase, which is always difficult.

It is the transition of production and for anyone whose been in the business. It is the one you are scared most of. And you see this showing up in the programs. Whether it is the airborne laser or its finite element analysis (FEA) or others. It is the same type part of the program. Once it is there, it will compliment other aircraft, including our legacy aircraft, as well as things like the F-35, which, you know, are 10 years away, just now going into some engineering drawings, just now going through what the FA-22 has gone through over the last 10 years, hopefully with an acquisition program that is better than what we did to the F-22.

But, we believe it changes war. It changes what an opponent thinks he or she can do to us and makes it a completely different world and allows us to fly stealthy 24-hours a day. Where now we can really only do it during the nighttime.

John.

General JUMPER. Sure, let me just add, if you do not mind, as we work also with the United States Army and their future concept of operations, their future combat systems call for them to be able to work directly behind enemy lines.

It is the FA-22 that is going to be able to respond quickly to that sergeant on the ground who needs fire power quickly with its internal load of eight small diameter bombs, which are also wing and can fly out a long range of tens of miles to get to targets that might be trying to deny access by surfaced air missiles, or to work with the sergeant on the ground for a close air support sorts of things.

Now, with ground forces on the ground deep comes a lot of re-supply. This is the airplane that is going to have to range widely and keep corridors open for streams of C-17s to get back and to keep our troops on the ground and re-supplied in this concept. We also team with the Navy in the anti-access scenarios, where we are up against a competent enemy and they are trying to deny us access.

We team with the Navy because this is a scenario that requires stealth's standoff and precision. The stealth can penetrate to get the surfaced air missiles to deal with the air dominance questions and to team with the stealthy cruise missiles and the other things that take out those anti-access targets.

This is the airplane that does that in ways that no other airplane can. It not only—it does not just replace the F-15. It will also replace the F-15E, the F-117, and it will take over a large, a much larger, role and responsibility than just this air-to-air mentality that many people think that we are trying to push with this airplane. That is why we renamed it the FA-22, so for our own internal audience they get the notion this is also about getting to the person on the ground and dealing with those very difficult surfaced air missile targets.

Secretary ROCHE. Mr. Hefley, I should tell you, Staff Sergeant Yoshita was one of the first to test something that was really envisioned as being part of the FA-22, as John said, for the sergeants deep in enemy territory. He had the gaggle of laser range finders, radios, GPS units and all kinds of batteries.

And, one of the things he is doing for us is having lived that as a consumer, and what we believe is transformational in the way of acquisition, we have asked Alan to take the lead for the Air Force on how do we make this lighter, more efficient. How do we do it so that he does not have to be on a radio at the same time? Simple things like inventing a switch to go from two different frequencies on the radio and two different antennas instead of having to take something apart and put something together.

But, all this was envisioned as part of this program to catch movers deep in enemy territory and that is why we are so proud of him.

The CHAIRMAN. I thank the gentleman.

The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Secretary and General Jumper for being here today. I am going to shift gears a little bit and ask you a question related to BRAC. When you decide to BRAC a base, to what extent will the encroachment issue factor into that equation? A second part of that is for those communities that are trying to prove that they are good neighbors to an air base, to what extent do you work with them to develop an air plan so that that encroachment of airspace, of acoustics, height variances does not become a detriment to that base?

Secretary ROCHE. Thank you, sir. You know the program of BRAC is one that is controlled by rules set by the Congress and we are following them exclusively.

Mr. TAYLOR. I had not seen too many rules coming out of this Congress other than there will be a BRAC.

Secretary ROCHE. There will be a BRAC, but also when we can begin work, et cetera. So, we are beginning the work and under the instruction of the Secretary of the Defense we will shortly start creating criteria based on force structure. But, I would anticipate, anticipate over the next few years, that as we look at our forces, what we expect them to be, where they can be optimally placed, where we can consolidate where we can, the issue of whether we are welcome in an area or not welcomed becomes terribly important.

If in fact, we cannot use a range, the base diminishes dramatically for us. And those communities where the communities have gone out of their way to help us maintain ranges so that we can practice, it is the cutting edge of the American Air Force that we have these ranges. That is why air forces of almost all of our allies want to come to the United States and fly because of our ranges and because of communities that allow us to do that.

Communities have helped us with environmental concerns. Communities have helped us in many others. We would want to work with communities to get a sense of the long-run. And if we are not welcomed, that would be a place we might consider leaving. Where we are welcome, we will make sure that we take that very much into account.

Mr. TAYLOR. Mr. Secretary, back to my point and apparently I did not make it very well.

Secretary ROCHE. I am sorry. I did not hear it then well, sir.

Mr. TAYLOR. It was in my very best mumble, sorry. As far as height variances, height restrictions, setback restrictions, glide path restrictions, acoustic restrictions, to what extent do your local base commanders express what they need to local governing authorities?

Secretary ROCHE. I am sorry, sir. You are asking whether our base commanders are, in fact, representing their concerns to the local community?

Mr. TAYLOR. And, is this an Air Force-wide program to let local communities, who really do not have the resources, as a rule, to know what a glide path of an F-16 is or an F-22 are going to be. To what extent do you work with them so that they do not make mistakes that, in effect, hem in a base so that it becomes unusable?

Secretary ROCHE. Thank you, sir. I apologize for misunderstanding the question the first time. In each of our bases, the wing commander has a relationship with the local community and often times has a panel of local leaders who are adjuncts to the base. They are local members who have had a very interest in the base and the airmen who are on the base. Those teams of people really give a lot of their time and the wing commander gives a lot of his time so that they understand the concerns.

When the chief and I travel, separately or together, we almost invariably spend a little bit of time with some of those local leaders because the wing commanders do share their concerns, if there are any, and often times the first solution is to work with the local community. And, we know of examples where that has happened in very dramatic ways where it is not required to come to Washington. But, we share our concerns with those local communities, yes.

Mr. TAYLOR. My concern with that policy is, using my own bases, I might be on the ninth or tenth base commander that I have dealt with at my Air Force base. If one of them were to come up with a decision that may be okay for—it might have worked in 1990, but as a different variant of the C-130 comes along, or as a different mission for that base might come—that might have hemmed in that base. To what extent are those recommendations kicked back to Washington so it really becomes a big Air Force position that this is what the Air Force needs, not only this year, but for the foreseeable future for this installation?

I keep pointing to the poster child of Cecil Field in Jacksonville, Florida, where we have three 8,000-foot runways and then a 10,000-foot runway right next to the ocean, built—went to all the expense of building a base only to shut it down and only to have the Navy out buying land right now to replace it. I do not want to see that stupidity become the poster. I do not want to see that become the norm. That was one mistake. I do not want to see that happen again. So, what is the Air Force doing to see to it that this does not happen again? And, I realize that was a naval installation, but it is still within the DOD.

Secretary ROCHE. The Navy does not have a monopoly on stupidity, sir. We could do it, too. What we are trying to do is to look where we will want to place our forces. What changes does that

incur? So, for instance, when we think of the FA-22, where we would like to place it, we do try to take into account—do we change something in the community or do we not? Do we add noise? Do we add people? What are those changes? We have reinvigorated the assistant Secretary for Installation, Environment and Logistics, which has been blended into one of the bureaus in the Air Force headquarters, and we have a very good team looking at just this.

Nelson Gibbs, the Assistant Secretary of the Air Force for Installation, Environment and Logistics, increasingly spends time on making sure of the point that you raise. That we understand what it is we wish to do when we go forward and that we take into account what is there. What changes may we perturb if we start to make some changes? So, we are trying to be very, very mindful of that so that we do not do something like say we do not need this and then turn around in a few years and say, “Oh, gosh, we really do need that.” So, we are being very conscious about it. And I would be glad to have Nelson come up and spend some time with you so that you get a sense of how he is thinking.

Mr. TAYLOR. His name again, sir?

Secretary ROCHE. Nelson Gibbs, G-I-B-B-S.

Mr. TAYLOR. And, his rank is?

Secretary ROCHE. He is the Assistant Secretary of the Air Force for Installation Environment and Logistics. He was a former colleague of mine in industry and he was a former senior vice president of Deloitte Touche.

Mr. TAYLOR. Okay. Thank you, sir.

The CHAIRMAN. Thank you very much the gentleman from Mississippi.

We have this briefing by the Director of Homeland Security Secretary, Mr. Ridge, at 11 o'clock, but the intention of the chair is to continue to move through this important hearing. But, folks are advised that this, the briefing, I think it is on the House floor, starts at 11 o'clock.

The gentleman who chairs the Subcommittee on Terrorism and Unconventional Threats and Capabilities, Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

Mr. Secretary, and General, let me just begin by saying that I had the wonderful opportunity to visit with your folks down at Herbert Field, who carry out a very important mission. And, I have got to tell you that I was glad I went there and saw, not only their capability, but their dedication. They are great folks and they make me proud, as a member of Congress, to know that they are out there doing the job they do.

Let me just ask maybe a two-part, three-part question, I guess three-part question. Last year we authorized dollars for the—I guess you call it “the service life extension” in the C-5. I think it was two B-models that we did. And I guess the overall question is, how is that project coming? And, can you—is there a vision at this point about the C-5, C-17 mix? I did find some information in my recent studies that indicates that there are some unique missions that we need the C-5 for, which, I did not realize, have to do with activities that I would have recently been involved in. So, what is the mix there?

The second, can you give us more detail on the KC-135 retirement, if you will, and the tanker lease and where we are with that? And, finally, on the tactical side, back in New Jersey, Mr. Lobiondo and I are extremely familiar with the conditions of the F-16s that are used for homeland defense, and that picture is not real pretty in terms of the capabilities or the readiness and the cost of maintaining those F-16s. Is there anything in the mix that we might be able to help you do, relative to the equipment that we are using, not only in Atlantic City, but in other parts of the country, as well?

Secretary ROCHE. Sir, I will start on the C-5s and C-17s and then I will ask John and we can both do the tanker and C-130Es and then I will ask John to do the tactical and F-16s. With regard to our large lift aircraft, we really have three programs going on almost simultaneous, it is almost in parallel. We have purchases of C-17s. We have a dedication to do an avionics modernization program on C-5s, starting with the C-5Bs, and then we have a program called the C-5 Reliability enhancement and Re-engineering Program (RERP), another Air Force acronym, which is effectively a life-extension program and a refurbishment of the aircraft.

It was our hypothesis and it is our hypothesis that the C-5As will prove to be too costly to maintain. One of the things we are going to institute across the board because of aging aircraft is an air worthiness board, to have a team of specialists who have long-term positions to, in fact, act like the Naval Board of Inspection and Survey to go in and say, "Look, this thing is not worth going forward; there is a class problem," et cetera.

But, the way the parallel strategy will work is, we will do the refurbishment on two of the B-aircraft, meanwhile doing the avionics on all of the 50-Bs. Then we will go to one of the As and take it down and do a diagnosis. Then it is our strategy to then go to the secretary and come here to Congress and say, "Here is what the doctor says. This is not as bad as we thought. It is as bad as we thought. It is worse than what we thought."

If we feel that way, then we will be under pressure to find ways to extend the production on the C-17s and probably build more C-17s. If, in fact, it turns out that we can do something with the C-5As, then we will think of refurbishing the best of them. In any event, the Bs will be brought up, both in terms of the avionics and in terms of a refurbishment across the board. But, they are much newer aircraft. And they already have the advantage of newer technology in their hydraulics systems, et cetera.

So, that is the strategy we have for the lifters. And it is a sensible one that does not have us waste money, but has us learn and then, based on learning, make decisions, but have everything going along in parallel.

Mr. SAXTON. When you made your opening comments you talked about the 73 percent mission capable rate, which is high.

Secretary ROCHE. For the Bs.

Mr. SAXTON. But, I would just remind everybody that that is more than one out of four times the—when you go to carry out a mission that the planes are not ready. And, will we see that improve and was it—

Secretary ROCHE. In all these systems that takes into account whether something is down for two hours or if it is down for three

days or if it is in depot. It basically says that the aircraft, if you can get about 75 percent, our goal is 80 percent. We would like to have four out of every five ready to go at a moment's notice. Depending on the complexity of the plane, it gets more difficult. This aircraft in the past, to be blunt, was starved of spare parts. And the actions you all have taken in the last couple years have made a dramatic difference.

Those maintainers, by the way, were leaving our Air Force because they felt none of us cared for them. If we cared, we would have given them the parts. It is turned around completely. General Jumper has reorganized the wing, so they have maintenance. My kind of kids are right up there and frontline and highly regarded and respected and doing a great job.

So, if we can get to 80 percent, we feel very good because they are complex systems. And if in a particular mission you have to make, it does not mean the plane is hard down, it just means some part of it is not working the way it should.

But, let me get to the tanker thing and let John try that.

General JUMPER. Go ahead, boss, on the tanker.

Secretary ROCHE. Okay. In the 68 KC-135Es, these are some of the oldest planes. These are ones that were commissioned before I was commissioned. And the cost of maintaining them is just becoming prohibitive. Prohibitive in the sense that they are not available enough. When we send them into depot they require an enormous amount of money. When we bring them out, they are still not as good as the Rs.

It is not a matter of re-engineering them because the engines are not the problem. It is the basic plane. And for catalytic corrosion, as John talked about, they are called batteries. And it is a shock. And I think the reason why you are hearing about it more now is coincidentally both of our backgrounds are such that we know materials. And when I was asked to go down to Tinker Air Force base shortly after becoming secretary, I was to be shown the facilities.

What grabbed me was the condition of the aluminum and other materials on these planes. And I know catalytic corrosion from my life at sea. And then when John assumed the role as chief, he went down and he had the same shock that when you start peeling away these airplanes you keep finding something that is worse.

The Guard has asked us to retire some of these planes and they came up with 20 real fast because they are concerned with safety, among other things, at some point. If we retire them, then we can devote the money to buying new tankers. That is what we would like to do.

But, as the chairman has pointed out, we do not have enough cash. You cannot go 15 years or 12 years of not recapitalizing. We are not like a company that was smart enough to invest its depreciation rate each year so as to not get itself in this pickle. We buy a bunch of stuff and then boom, the bunch of stuff gets old almost at the same time and that is scary.

We are trying now to block off a number of things. To your shock, Mr. Saxton, we are now the experts at flying Huey helicopters. We have to create a training program because the Army has gotten away from Hueys. Every time I get on the helicopter in the Air Force, I tease John. The first thing I do is ask for the nameplate

to see if it was in Vietnam when I was in the Tonkin Gulf. They are old. So, there are the tankers; our combat aircraft are old. We have some things stabilized like our bomber force. We have a good strategy for our mobility force.

Another one that you are very familiar with now, the MC-130 gunships, we are straining. These are old aircraft, as you know, with guns brought from other systems. What is the follow-on?

Mr. SAXTON. Actually, that was on my list to ask you about, also, but I thought I was going too far.

Secretary ROCHE. No, sir. So, our idea is, we are willing to take—we have worked with General Handy at Air Mobility Command (AMC), we are willing to take a risk to retire these 68 planes because they are just absorbing people, move the people to Rs, use the Rs more often because a lot of them are in much better shape, and then aim for a steady program to have a replacement for the tankers.

Mr. SAXTON. And, what happened to the lease?

Secretary ROCHE. The lease is being considered by the Secretary of Defense. It is different, Mr. Saxton. You bring people like me into the government, we are going to try and find ways of getting a good deal. We think we have a good deal because it is a unique moment in history. One, we need planes; two, Boeing 767 line is starting to get low enough that they may consider shutting it down. And, three, the interest rates are so low and people have so few places to invest their money that investors are willing to take bonds on a sure deal because we need the tankers. But, it gives us the chance to avoid all kinds of problems that typically occur because the Congress is giving us an opportunity to not worry about the color of money, to be able to amortize Non-Recurring Engineering (NRE) over.

We do not pay a dime until the plane drives up. So, it is not the usual thing where you invest millions and millions and you see nothing. But, to be able to have advanced procurement, to be able to allow Boeing to buy 100 ship sets at one time and make the best deal they can with their suppliers.

We think it is a good deal. But, it is different. There are interest rates. There are bond rates. Enough, so that I fully understand why the Secretary's office wants to take a deep look at it. We are trying to answer every question. And, we will support him. If we cannot lease them, then we will start buying in a few years when we can see some spots.

Mr. SAXTON. Do not misunderstand us, we are not necessarily against the lease deal. We need the airplanes. We know that. And—

Secretary ROCHE. We all agree, and Don Rumsfeld absolutely agrees, we need tankers. It is what is the smartest way on behalf of the taxpayers of the United States to get them. And, we have a good debate going.

General JUMPER. If I could just add one point, quickly, sir. The reduction in the KC-135Es that is proposed would also allow us to plus up the crew ratios with the R models and with the greater effectiveness of the R-models, we think this will result in about a 4 percent decrease in capability in our entire tanker fleet. And that is the risk that we assess that is there with that decision.

Secretary ROCHE. F-16s?

General JUMPER. On the F-16s, sir, again this is just further to the aging fleet problem. The guys up there are doing a great job with the airplanes they have. The experienced maintainers you have in that unit are just exactly the right people to be dealing with the problems we have with these older F-16s that we have scattered throughout our Air Force. And they are doing a great job of dealing with that.

The plans that we have to replace the fighter aircraft start with the FA-22. And the quicker we get those in the inventory and get those onboard, the quicker we will be able to make other plans about where to shift the airplanes and resources.

Mr. SAXTON. I thank you very much. Maybe we can talk about that F-16 issue a little bit later.

General JUMPER. Yes, sir.

Mr. SAXTON. I have used enough time, but that is a real issue and I think it is an important one.

General JUMPER. Yes, sir.

The CHAIRMAN. I thank the gentleman.

The distinguished gentleman from Massachusetts, Mr. Meehan?

Mr. MEEHAN. Thank you, Mr. Chairman.

Just by way of comment, Mr. Secretary and General, from time to time in America, institutions and organizations have to deal with a crisis of some unpleasant and impending scandal. And often-times institutions or organizations do not always handle them well initially. I think of the way the Navy initially handled the tail hook scandal.

And, I just want to comment and compliment the way both of you have handled this issue with the academy. Not only just in your statements before this committee, which were outstanding, but your statements prior to this committee. Part of the challenge of any institution or organization dealing with impending crisis and handling it correctly initially and I really want to compliment both of you for all of your statements on this.

Secretary ROCHE. Thank you, sir.

General JUMPER. Thank you.

Mr. MEEHAN. Secretary Roche, the Sensor Fused Weapon program is key to the Air Force's weapons program. The budget provides for \$117 million for its procurement for fiscal year 2004. This amount is less than last year's budget request, and I am wondering, is that enough to ensure that this program will be up to the task when called upon?

And, also, General Jumper, can you detail to the committee the utility of the sensor fused weapon?

Secretary ROCHE. Sir, I am sorry, it is a good weapon. I did not realize that there was an issue with it. So, I am not prepared to just today—I will be glad to get back to you. It is a weapon that has great utility.

But, if I may, sir, you complimented us; I would like to compliment you and your colleagues for giving us a chance to handle this problem. And, I especially wanted to compliment Congressmen Tancredo and Hefley who have told us, if you want to solve this, you solve it, we will sit here and wait for you to do it.

I also want to tell you that there is an advantage when you have good colleagues. And, John and I have a great colleague in Bill Bodie, who has helped us from day one on how to handle this.

But, let me get back to you on the budget issue—

Mr. MEEHAN. Yes, it is a matter of the funding for fiscal year 2004 being actually less in terms of dollars than last year—

Secretary ROCHE. Let me get back to you on that. But, on the utility, I think General Jumper can speak to it easily.

General JUMPER. Sir, there is no doubt of the utility and we did in actuality go down from \$125 million in 2003 to \$118 million in 2004 and buy quantities down from 310 to 294, but, with some improvements—some product pre-planned improvements on the weapons that give it greater combat capability. There is no doubt about the utility of the weapon, sir.

It was designed primarily to go after heavily armored vehicles and we have put the resources into this as best we could. Most of our money for weapons, I must tell you, has gone into the Joint Direct Attack Munitions (JDAM), the GPS guided JDAM because we think we are going to need lots of those.

And, so, I cannot comment exactly on why the number was shaved down, sir, but if you will allow me, I would be delighted to get back to you and give you the specific reasons.

[The information referred to can be found in the Appendix beginning on page 507.]

Mr. MEEHAN. That would be great.

Mr. Secretary and General Jumper, we have had previous discussions on how it is that the Air Force, and really all of the services, have to have the latest in command and control information systems. And, the electronic systems center that is located in Hanscom Air Force Base in Massachusetts performs this important mission. Can each of you highlight any specific programs in your budget that utilize Hanscom's unique capability to collaborate with leading cutting-edge industry, academic or other Department of Defense (DOD) organizations?

Secretary ROCHE. Well, we can certainly get back to you on specifics. But, I can tell you it is hard to imagine any of our advanced programs that we do not involve the electronic Systems Center (ESC) in. Sergeant Yoshida can tell you ESC has been one of the great contributors to his project to make this system of close air support from very high altitudes with a sergeant on the ground controlling all these aircraft. They have been key, not only the people at ESC, but ESC has relationships with Miter, with Lincoln Labs, with a number of places.

John and I have made great use of the relationship with ESC and Lincoln Labs to help us think through advanced space systems. Wherein, we have a body of experts who fully understand this very rapidly changing world of electronics.

We also note that ESC at Hanscom is a way to tap some of the best universities in the history of the world, and to tap the knowledge at those universities and to attract some very good young graduates who want to work in science and engineering, who know if they go to Hanscom Air Force Base their colleagues are some of the best the country has to offer.

So, I think it is—I would rather stay and praise the general aspects of ESC, as compared to any specific program, sir.

General JUMPER. Sir, I do not mind being specific at all because the work they are doing at Hanscom toward this multi-sensor command and control aircraft, which is what we are attempting to support to finally bring together the information technology that will integrate at the machine level, our space, manned, unmanned, land and sea platforms and sensors in a seamless way to produce what we call, "the cursor over the target."

The information technology is here to do this. The platform that we would like to center this capability on is called the MC2A. Much of the work is being done in one way or the other right there at Hanscom. And we think this is going to be a tremendously leveraging resource to get to this network-centric sort of capability that, right now, is hampered by the many stovepipes you have to deal with to get to that capability.

Mr. Pete Teats, the undersecretary of the Air Force, is also the leader of the National Reconnaissance Office (NRO), he is the guy who is bold enough and brave enough to at least consider the possibility that NRO satellites could talk directly to airborne manned and unmanned platforms. Previously, the sort of stovepipes that have grown up would not even allow us to consider such a thing.

These are the steps we have to make. This is the expertise at ESC and at Hanscom that will allow us to do these things, sir.

Secretary ROCHE. When you are next there and see an old 707 flying, it is a flying test bed called the Paul Revere. And on that test bed, the work that John is talking about is being tested in some very, very novel ways. We think really it has been transformational in how we do our acquisition by having a test bed like that.

Mr. MEEHAN. Thank you, gentlemen.

Thank you, Mr. Secretary.

The CHAIRMAN. I thank the gentleman.

The gentleman who is the chairman of the Total Force Subcommittee, Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

Gentlemen, welcome. Let me begin by adding my words of deep respect and appreciation to both of you for the leadership that you have brought at some very challenging times. I, as other members have mentioned, had a chance to do some traveling a few weeks ago. I visited with active and Guard folks over at Ramstein and other places. And they are a tribute, certainly to this nation, but also a tribute to your leadership and your foresight. And, you have demonstrated that here again today. We all appreciate it.

Let me—the issue of the Air Force Academy has been dealt with a number of times here. Yesterday, in our subcommittee organizational meeting, originally brought up by Mrs. Sanchez, we discussed this, and like everyone, and yourselves included, we are deeply troubled and concerned that this be resolved fully and effectively. And I want to compliment you both for your response here today.

And, Secretary Roche, I know you spoke without prepared notes and it was a very moving and very appropriate response.

But, I did not hear in both of your—either of your comments, assurances, to my level, that we would also look at those professional staff people, the officers who have, perhaps, allegedly been derelict in their duties. There has, as you know, been reports and allegations made that some of the female cadets did try to make reports that went unanswered, were not taken seriously, or whatever it may be. I feel confident you did not mean to say you would not call them to task for that, but I just wanted to make sure you have the chance to put that on the record.

Secretary ROCHE. Be delighted to do so, sir. We have a team out there right now. And, the way we are approaching this, there is really three parts to what we are doing. One, John and I together have a team headed by our general counsel, Ms. Mary Walker.

That team is out there trying to understand the processes, trying to just build a matrix of what we are talking about, because we hear from different people and we are trying to create an environment that we have asked the cadets if there is something that has not been reported before, come forward now. We guarantee you will not have a problem, or if they have best practices, come forward.

And there was a system out there that they thought in 1993 was addressing the problem; maybe in 1993 it did. It did not now.

So, we have our broader look, including what we would hold our senior officers accountable for. We will take a look at that. But, the problem at the Air Force Academy, sir, did not occur in the tenure of any particular officer here. It is a cultural one that apparently has been building up for a number of years.

The second thing that is happening is the Office of the Secretary of Defense and Inspector General (IG) has been asked by the government opts committee to take a look at each of the cases narrowly. That is good because they are not the Air Force and, therefore, no one can accuse John and I of trying to make it a better picture. We are delighted.

But, it is a very narrow look at a case and I think when they go through, they are probably not going to be disturbed by due process where we are disturbed by the environment. No case the IG will look at will worry about a young woman being shunned the following week, where we will.

And, then the third thing is the Office of Secretary of Defense for Personnel is new secretary is going to be looking at what we are doing and then try to see how this is applied to the other academies. We are looking at the Air Force Academy primarily, but we also, then, will go and look at our ROTC program because we are going to be sending cadets out on summer camp. We do now. We are increasing that. We are going to get much bigger. And, we are also going to look at our officer training school to make sure we have got the right policies in every place.

But, one of the things that is emerging is, on a classic Air Force base, the wing commander and the processes on a base mean that an airman first class is treated better and the situation is handled better than at the Air Force Academy, which tried to do something in a university environment when it is not a university.

It is somewhat of a university, but is a military installation. These are aspiring officers, and you have charged me to sign a certificate for each of them when they are commissioned that says,

"We repose special trust and confidence." Well, I do not know if I can say that about everyone. I certainly cannot say that about any assailant. And, that is what is driving us.

But, we will look to see who is accountable. But, we also are not going to say, "it is because of Joe," to the problem. It is broader and I think we have to attack it more broadly.

John?

General JUMPER. If I could just add, sir.

Mr. MEEHAN. Certainly.

General JUMPER. Over the years we have found, as you always do when you look into these things, that budget pressures cause us to make some very irrational decisions. In the past, we took the air operations commander of each of the squadrons, (that is the active duty officer who is with each of the cadet squadrons). We sent them through some very specialized training and counseling on how to deal with youngsters in the age group that you find at the academy.

As budget pressures came over the years, we stopped training them that way and we just took people right off the line and put them into those jobs in ways they were probably not well-prepared to do.

Also, we are going to strengthen the fact that we have very capable non-commissioned officers also assigned to each of those squadrons. And, if you go to any Air Force unit out there in the active duty Air Force today, you will find that the first sergeant in that squadron knows everything that is going on in that squadron. There are no secrets.

And as he has got his nose in everybody's business, he has got the tempo, he has got the pulse, and he has got the atmospheric of that squadron down pat, and he is advising that squadron commander on all of those things.

We have got to make sure that we have got that sort of an atmosphere, which is the military environment in this setting, and that we make sure that we understand, as the secretary said, that this is a military installation, a military organization with perspective military officers. It ought to be—it ought to run that way.

And then, let me add my personal thing for the record, sir, is that accountability and responsibility will reside at the same level.

Secretary ROCHE. Let me give you an example, sir, if I can. It has not made the papers in a big way, but early on the fall, there was an incident where we believed the scenario officer there did not exercise the kind of judgment that we would want him to have exercised. This is an officer we have removed from the chairmanship of the department because he allowed a skit to be put on that was highly offensive to a number of women.

We have acted. But, we may have to come back and get some help from the Secretary of Defense and you because he holds a permanent professorship. And, if, in fact, when we go through this and take a fair look and listen to his side of the story, we feel that he should not be a permanent professor, we recognize that is a congressionally done thing and we may want to say, "Why, if we have someone we believe has exercised bad judgment, we should be able to say we do not want that person leading our cadets, even in a particular department."

But, I have got to make sure that we have due process and this officer may have an answer back to us that makes us understand the circumstances in which he was. But, this has increasingly become a hybrid university. And we feel that, for everyone's sake, and for the taxpayers, it needs to be a fully charged Air Force institution where we teach and train future officers in whom we can repose special trust and confidence.

Mr. MCHUGH. Well, thank you. Well, obviously, I cannot speak and would not deem to speak for the chairman, but from the subcommittee level, we certainly would want to work with you to make this a better system. I was confident you both felt very strongly about that with respect to the officers potentially involved.

I just wanted to make sure the record reflected that. And, I have to tell you, although, obviously, we are going to continue to follow this very carefully and closely, I personally am very reassured that two gentlemen of your stature and caliber and obvious concern are pursuing this. Thank you.

Mr. ABERCROMBIE. Would you yield for a moment, a brief moment?

Mr. MCHUGH. If the chairman will allow me, so gracious, because my time has expired.

Mr. ABERCROMBIE. Just for a point of clarification, Mr. Chairman.

Excuse me, Mr. Secretary, are you implying or are you saying explicitly that the Congress deals with questions of tenure at the—

Secretary ROCHE. No, it is not so much tenure, Mr. Abercrombie. It is a matter of a notion we call, "the presidential appointment," which, of course, the senate has to approve. But, the presidential appointment in the case of the Air Force Academy was done in a way to have a level of super-tenure. It was for a uniformed officer.

It is also at the military academy at West Point, but not at the Naval Academy, Where when an officer becomes a permanent professor, typically a head of a department, he is allowed to stay on active duty, if he chooses to, until age 64 and then when retired I think can be addressed as Brigadier General. But, it is—

Mr. ABERCROMBIE. So, this a personnel question within the Air Force, as opposed to an academic?

Secretary ROCHE. It is a military question going beyond the Air Force, but it also picks up West Point and the individuals who hold these—a typical assignment, we would assign an officer a colonel to a particular job, not a presidential appointment.

Mr. ABERCROMBIE. Excuse me, Mr. Secretary. I can see, obviously, this is going to take a little bit longer.

Mr. Chairman, rather than pursue it now, do you suppose, with the acquiescence of Mr. McHugh, that perhaps we could get a little rundown on what is involved in this? Because I do not think that the intention is ever to have the Congress be involved in academic decisions in terms of keeping people in their.

The CHAIRMAN. Well, I would say, Mr. Abercrombie, why do not we have the secretary, have somebody whose up to speed on this issue, it seems a little bit kind of a unique set of circumstances—

Secretary ROCHE. Over and above the particular instances.

The CHAIRMAN [continuing]. Come over and brief you and brief Mr. McHugh—

Secretary ROCHE. If I may.

The CHAIRMAN [continuing]. On this mechanism.

Mr. MCHUGH. I apologize, I did not mean to interrupt you. That, to Mr. Abercrombie, is an area involving, as the secretary said, presidential extensions and appointments. And, it overlaps, apparently in this situation, to the service academies. The Office of the Secretary of Defense (OSD) is currently examining that process in general.

So, I am sure someone over there, out of Secretary Chu's office, perhaps, could provide you with an overview and if you—I am sure they would respond to your request, but if we can be helpful in that regard, I would be more than willing.

The CHAIRMAN. Sure. And, I think this a great candidate for one of those 7:30 in the morning briefings. So, the chairman of the total force is fully authorized to make that happen. Personally, all of my appointments were over by 8 o'clock this morning, since they started at 6:00. So, I am becoming one of those early morning briefing people.

And, Mr. Abercrombie, let's run that to ground. I think that is a good candidate. Are you okay here?

I thank the gentleman and the—

Mr. Larson.

Mr. LARSON. Thank you, Mr. Chairman. And, I want to follow-up on Mr. Saxton's questions because what I did not hear about the leasing of the tankers is timelines. And, I wanted to ask—first off, I want to say, in your testimony and comments you made the case, "Let's get moving on this". And, yet, the budget does not reflect the Air Force getting moving on this. Presumably, through no fault of your own. I know you have been very supportive of trying to get the tankers replaced.

But, I would like to know what is holding this up? And, what specific timeline does the secretary have to review the deal and then, assuming there is an approval there, what timeline, then, does OMB have to approve the deal, assuming—it is certainly my hope, assuming that there is an approval of the deal.

Secretary ROCHE. First of all, sir, thank you for the question. The reason you do not see the lease cost in the budget is that would be mouse trapping my boss, the Secretary of Defense. To put the money in the lease would assume he approved the lease. And, therefore, our plan A is to buy tankers and those phase in a couple of years out, if he chooses to support. If he thinks it is a good thing for the taxpayer, then we will reprogram from our existing plan, our five-year plan or six-year plan and put money in.

But, if we do not, then we have to go back to a buying scheme and, to give you a measure of one of the reasons we would like to lease, is by the time we would get our first purchased tanker, we could have 67 on the runways if they were leased. Because we are able to amortize then—over the whole period. So, that is why we think it is good.

But, there are interest rates. There are legitimate issues and this has never been done before. So, I need to defend people who are taking a good look at this.

With regard to timelines, my boss sets his own timeline and I respect it. In terms of OMB, there are no timelines. The Congress

just said when I get through that, what will I have to do to come to the committees and I believe the authorizing committees should have a chance to look at this, as well.

General JUMPER. Sir, I cannot add to that.

Mr. LARSON. Thank you very much. I would—I appreciate you saying there are no timelines. I understand the secretary needs to take his own time and you are not saying there are no timelines, I am just saying folks need to take their time to get through that. But, it is certainly an interest of mine and many others to see this move forward.

And, you know, really it is mainly because of the case you have made about the aging of these tankers. And, as you said earlier, it is not engines; it is the planes themselves. I do not want to be too radical in these comments, but if you are talking about the 100th year anniversary of the Kitty Hawk flight, it was 12 seconds long. You know, and pretty soon those tankers will be, you know, equaling that flight time if we do not get these replaced. We need to move forward on this.

Secretary ROCHE. As I said, some of them were commissioned and started flying before I was commissioned and they were all flying before he was commissioned. But, the Office of the Secretary has asked questions to us, we have responded to questions. They are not sitting idling by. They are trying to get some outside help mainly because there is a concern that is: Is this something that sets precedent? Is this something other services were going to jump on? My own sense is it is very narrow circumstances when you can do this, but I fully understand that when you do something brand new in the government it is not like having a novel business idea where I could go to the board of directors, weigh out the case, the board of directors would take a deep breath and say, "Okay, the chairman of the boards is for it and the president of the company is for it, go."

The CHAIRMAN. I thank the gentleman.

And, Mr. Secretary, as a guy who hates to see those 30 and 40-year old airplanes, we are now going to shift to the chairman of the Subcommittee on Projection Forces, which includes those B-52 bombers, the youngest of which I believe was built in 1962. So, you will get to lay out a case on how you are going to replace all those older bombers, because I know you will want to do that.

Mr. Bartlett.

Mr. BARTLETT. Thank you very much.

Thank you, gentlemen, for your service to your country and for your testimony this morning. Can you tell me how many Milstar satellites we have? Is it two or three?

Secretary ROCHE. Can we caucus, sir?

Mr. BARTLETT. It is a very low number; it is two or three. Can you tell me what—you mentioned—the reason I ask that question, Mr. Secretary, because in your testimony you mentioned that we were increasingly dependent on space assets. And I wanted to know if you knew what percent of your communications go through your Milstar satellites and percent go through your other satellites?

Secretary ROCHE. Mr. Bartlett, I do not know that off the top of my head. We can get back to you. I know that when a contingency

comes along, you know, we buy time on commercial satellites, or other satellites. We have worried very much about things like our Global Hawks that take up an enormous amount of bandwidth. One of the things we want to do on the—what is called the multi-mission aircraft, is that battle management section in the back. We control Global Hawk so that we can get off the satellite and not have to load that.

But, in terms of the communication bandwidth, there is Milstar, there is transformational communications, which we both strongly support, which will take a look at AEHF satellites, Advanced Extremely High Frequency satellites, potentially moving to other laser based satellites. This area is one where technology is explosive and it could be very, very successful.

I think it would be terrific if we could ask Undersecretary Pete Teats, who is quite wonderful on this subject, to come on over and spend some time with you and he would be able to answer all of your questions.

Mr. BARTLETT. Thank you.

Secretary ROCHE. Since he comes from this background.

Mr. BARTLETT. It is my understanding that the only space assets we have which are radiation hardened, are the Milstar satellites, which is why they are called Milstar?

Secretary ROCHE. I think. In open session I would be—I would want to be more careful of the answer and I would again beg your indulgence and ask if Mr. Teats can—

Mr. BARTLETT. I would be pleased with that. The question I wanted to ask was I believe that probably a very larger percent of your communications goes over non-Milstar, therefore, non-radiation hardened satellites. A single nuclear detonation above the atmosphere, intentional or unintentional, anywhere in the world will, depending upon its size, either disrupt or destroy all the satellites which are within line of sight, the prompt effect.

By the way, in any communication system, unhardened satellites are the softest link. They cost about \$10,000 a pound to put something in space. And, so we are very conservative in what we put there and hardening chews up a lot of payload weight, which denies a performance capability, and which is why commercial satellites and satellites that do not need to be hardened are not hardened.

In addition to killing all of the satellites (or disrupting if it is just a small burst) all of the satellites within line of sight, the Van Allen Belts will be pumped up for a year or so. So, satellites which would have a long life will now have an exceedingly short life, like a few days. It will do you no good to launch a new satellite because the Van Allen Belts are still pumped up?

What will we do if that happens?

Secretary ROCHE. Well, clearly we will have a problem. One of the things that John and I have spent a lot of time on, Mr. Bartlett, I think you would approve, is we feel that putting everything in space does not make sense, and putting nothing in space does not make sense. You have to have a portfolio.

We actually talked about taking certain capabilities and bringing them down from space, or putting them in very high altitude. So, for instance, we could—and we are talking about envisioning an

area of the world where we have global hawks acting as if they were satellites where we could place them well below a Van Allen Belt, well below the effects of a nuclear explosion and give you a capability and area so that you do not have all of your eggs in one basket, or in this case, all of your communications in unprotected satellites.

A number of the satellite systems are hardened, and I would like Pete to talk to you about those, but we think it ought to be a portfolio just as we think about portfolios across the board, whether it is communications or it is trying to get a ground target moving indicator. A portfolio is a sensible approach. If we only depend on space-based systems, we offer an opponent a very critical target.

Mr. BARTLETT. Yes, I am concerned that our greatest strengths should not become our greatest weaknesses. And as we are increasingly dependent on these high tech systems, which are increasingly vulnerable to this kind of attack, we place ourselves in a position where asymmetric warfare might be determining in the future. And I am just concerned that in developing our approaches that we do sufficient war gaming that we know what we would do in the off-chance that something like that were to happen.

Thank you very much and we will look forward to the briefing.
Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. And the area the gentleman has hit on is of a lot of concern, I think, to the folks in the committee. And I would like to have Mr. Bartlett, if you could put this together, maybe a little classified briefing on this, an early morning briefing. And I know I would like to see that and I will see it with you.

The gentleman from Georgia, Mr. Marshall?

Mr. MARSHALL. Thank you, Mr. Chairman.

I do not want to beat this to death, but I must say that I found your words, in particular, Secretary Roche, concerning the situation with the Air Force Academy, very, very powerful, very persuasive. And after listening to your responses to the questions that people have had concerning how you are going to follow up with this, how will you accomplish a cultural change, how are you going to address possibly some more problems in the other academies, I find myself thinking that it is not only an example of what we ought to be doing in our military institutions, but as a country, very, very wonderful words.

And God bless you for that.

Now, to the more mundane. In response to Mr. Saxton's questions you described a process that was going to involve refurbishing a couple of the C-5As and then selecting one to be examined by a pathologist I guess.

Secretary ROCHE. C-5Bs—

Mr. MARSHALL. C-5Bs.

Secretary ROCHE [continuing]. Would be first so we have a baseline.

Mr. MARSHALL. I see.

Secretary ROCHE. And then start looking at A and compare the A to the B to get a sense of whether it is worth investing and fixing or should they be retired and move to more C-17s.

Mr. MARSHALL. How do you get a fair judgment based upon one selection? I do not know enough about the C-5s, their history; it would seem to me that if you picked the wrong one, it is not going to be the right test. And, you might pick one that is in great shape and you had not intended to do that. The results are, therefore, biased in favor of a mix that favors the C-5 or vice versa. You pick one that is in terrible shape, not intending to do that, intending to pick one that's representative, and your results are biased in favor of C-17s and let's get rid of all the C-5s.

Secretary ROCHE. Sampling theory would say that picking one is not the way you do it.

Mr. MARSHALL. Right.

Secretary ROCHE. The reason we want to do the Bs first, being newer, and having a benchmark, you can then take a look at an A and look for things that are systemic. Now, if you find something in one of the As, you can go and check that particular thing in the others. So, for instance, we have a problem on our KC-135Es of the pylons that hold the engines. They were taken from old 707s years ago to increase the lifespan of the Es.

We recently observed a corrosion crack in one and then another pylon on a particular airplane. Then you have a very focused look at the others to see if this is a problem. We have the same thing with wing cracks on the F-15s.

So, in the diagnosis of the one, you look for something and then you go check others. But, you have the maintenance records from all of these aircraft and the depot records. So, you start with a sense of all of the As having been looked at.

Mr. MARSHALL. Is it just economical and practical to look at more than one?

Secretary ROCHE. If, in fact, it is on the edge, we may choose to look at another one. But, if it is pretty—if it is one way or the other very strongly, then there is no reason to. But, if it is on the edge, we will. But, that is why we want to form a board of people who are going to be doing this for all of our aircraft over a period of time. And, we have time to be able to make decisions. We know we want the Bs done and if we do not do the As, then we will get C-17s.

General JUMPER. And, I would just like to add to that quickly, Mr. Marshall, that to emphasize the point there are extensive records on these airplanes that are available. So, there are none that are truly unknown. I will second your point, though, that these are old airplanes and we are finding surprises every time. So, what you say is certainly something we have to pay attention to.

Mr. MARSHALL. What concerned me, Secretary Roche, is that your follow-up is somewhat dependent upon what you find in the one that you have selected. And, so, if you do not find those stress fractures that all the rest of them have, then you do not follow up to see whether or not the others have the stress fractures and some catastrophic event occurs and we are all disappointed.

Secretary ROCHE. It could. The way we would go at this is we would probably sample certain things on multiple airplanes, but take one and strip it all the way down.

Mr. MARSHALL. I have another question. It is with regard to two different things here. Depot strategy in August of last year—any

afterthoughts by either of you two gentlemen, second thoughts, those sorts of things? And, then the transformation from Joint Surveillance and Target Attack Radar System (JSTARS) to the MC2A platform, I guess my question is timing; you know, what are some of the details of your plans with regard to that?

Secretary ROCHE. Yes, sir. I will start and John will follow-up. We think the depot strategy was a smart thing to do. We think that sharing and working with the members so that they did not think we had a little side game going has proven to be very effective. We are delighted to say, in the location of our three depots, that we now have great support for what we are doing.

That the notion of partnering is something that the members, many of whom have business experience, spotted and said, "right" on the way you are going. I think you will note, if you go to Robins or anyplace else, that there is benchmarking going on. There are lean manufacturing issues being looked at. The places are dramatically cleaner. There is a great deal of pride, and we are proud of them.

And, so, a depot strategy, where we have a fund where, when someone wants to do something that can contribute to its efficiency, they can compete for money from it, makes sense. A number of parts of the strategy are holding up very, very well at this point. But, it has to be looked at each time.

And, by the way, it is a tribute to General Mike Zettler and to the General Les Lyles and to Nelson Gibbs, secretary, so, Secretary Gibbs. So, I think that is on a good path and I think everyone wants this full open knowledge.

With regard to Joint STARS and MC2A, there is the platform, which now housing the original Joint STARS Radar is a 707-derived platform, as you know. We would like to move to a 767 base for two reasons. One, we can have a deeper gondola, which means we can make the height of the antenna a little larger, which would give us much greater accuracy. And about the time we would be modifying the airplane, we would have our first of the improved radars called MPRTIP (Multi-Purpose Radar Technology Insertion Program), which means it is modular and it is a radar improvement program that the two companies are working on together to fit in there.

But, just as much, we want that back-end space, because the back-end space will take this battle management work that General Jumper has been working on for year, that we are now testing on this Paul Revere aircraft up in Massachusetts and to be able to have a battle management space, which would be comparable on a follow-on Joint STARS, follow on Airborne Warning and Control (AWAC) et cetera, so they could run the battle control drones, et cetera.

I believe I am the first American official to go onboard the Japanese AWAC after they were commissioned into service, because I asked. And, the Pacific Air Forces (PACAF) commander, a four-star general and I were gratefully not photographed, but we were hanging upside down looking inside the various amount of space that was on that plane, picturing what we wanted to do on a multiple—or on the multi-missioned aircraft.

And it appears to be exactly what we want that you can have the air mobile target indicating system AWACS in the front, battle management in the back, lots of space for cooling, power, generation, et cetera. And, so, we see a good evolution to wit, we do not see in the short-term being able to do both the AWACS job or the Joint STAR'S job on the same airplane. Sometime in the future there will be a radar that can do both, right now it would not be worth doing because what we want is good Ground Moving Target Indication (GMTI), good air control, but also this battle management.

General JUMPER. And, let me just add that as far as timeline goes, we are trying to get something going by 07. And, start to work on the airplane in 07 with an 11 or a 12 date to get the thing actually airborne and working. Again, it is on the—we are making this on the JSTAR'S aircraft just because this is an excellent opportunity to transition this JSTARS into the newer generation of radars and we have determined that it is going to take another generation of Joint STARS to be able to do the ground moving target radar work that needs to be done before we can get the space-based radar.

As we then build the space-based radar, it will be a major objective to make sure that you have those two platforms talking at the digital level to one another so that one can compliment the other. And that gives you more options, then, about how you might design and build your space-based radar. So, all those things blend together, sir.

Mr. MARSHALL. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentlelady from New Mexico, Ms. Wilson?

Mrs. WILSON. Thank you, Mr. Chairman.

Mr. Secretary and General Jumper, thank you for coming today. As you can imagine, I have been asked the question that Mr. Skelton asked you about how would you advise the young women of today with respect to going to the United States Air Force Academy. And I appreciate the seriousness with which you are taking this.

And, not only the action that you are taking, but the passion that you express with respect to what is going on at the Air Force Academy. And saying very clearly that we will not tolerate this behavior at our academy or in our Air Force. The academy's mission is to develop leadership character for the nation. And the behavior there is inconsistent with that mission.

When I was there a long time ago, that was not a problem. And, it is clear that there has been a culture change that has to be rectified and I appreciate the fact that you get it. It is not about how we deal with specific cases, but an environment that has to be addressed, and, I appreciate your leadership in that regard.

The challenge is difficult and it is not going to be solved by firing a few people and declaring that they took the garbage out with them when they went. It is kind of like a fire in a closed compartment. And I appreciate your seriousness. I am also glad that you are going to the academy tonight because I think they need to hear directly from you what you think about it and what you feel about

it. And it will be the first step in rebuilding trust among your young future officers.

I am most concerned, not that there would be some young people who would prey upon others in acts of violence, but that large percentages of women at the academy now believe that if they report it, they will be punished. No institution can survive if large numbers of their people believe that if they report a felony that they will be punished. So I appreciate your time and your attention and will continue to work with you to restore the reputation of that institution.

General Jumper, I have——

Secretary ROCHE. Thank you so much, thank you so much. Now that we have John's daughter bugging us, I also have my own daughter.

Mrs. WILSON. Yes, sir.

General Jumper, now to more on mundane things, airborne laser and ballistic missile defense. I understand that we may not be doing operational testing for ground and sea based ballistic missile defense, and this may not come under you. But, with respect to the airborne laser, do you still anticipate doing full operational testing? And, could you comment on where we are in the Advanced Disk Laser (ADL) program and where you expect to be over the next year to 18 months?

General JUMPER. Well, I will start off. We just actually spent two and a half hours, I think, last night going over every deal, every detail of the airborne laser program with the program manager to see exactly where we are. And, of course, with a program of this complication, there are challenges ahead, but in general I think we can both say we are very pleased with where we are in the airborne laser. And its role as a part of the layered defense system that is envisioned by General Kadish in his missile defense leadership role, which takes into account, not only attack operations where you try to get these things on the ground, but being able to shoot them during the liftoff phase, which is the job of airborne laser or to track them very carefully and be able to pass them on to other systems, which could destroy these things in route to a target.

The airborne laser's part of this is very significant. And, as they proceed now to put together the test bed that is on the ground at Edwards Air Force Base and they prepare for a first firing in a few months, and then on toward 2004 or early 2005, sometime in the fiscal year 2005—or calendar 2005 timeframe, an actual flight with the firing. Everything is progressing as we would expect, certainly with challenges to overcome. But, the test program and the development program are proceeding in parallel and the results and the test criteria is pretty well laid out. So, we are watching it very closely.

Boss?

Secretary ROCHE. Ms. Wilson, I would only add that we had a superb kind of management meeting. General Kadish was with us, as well as the program manager, and she is doing a terrific job. My concern is one that I have expressed on a number of other programs. It is so easy, Ms. Wilson; it is so easy for our Air Force or the department to lay a budget out of a program and assume that

when things go together, they all fit together perfectly. I have never seen it happen yet, whether I built the stuff or I was responsible for having somebody else build the stuff. It does not happen.

You have problems where you can only learn when you pull it all together. And I think Colonel Putrowski—did I pronounce her name correctly? I am sorry?

General JUMPER. We call her P-plus 12.

Secretary ROCHE. Colonel P, who is just an absolutely impressive officer and an impressive intellectual on technical things. She has done all the right stuff of putting together things on the ground. When you put it in the airplane and you start changing the weight distribution of the airplane and there is vibration and there are other things, you are bound to come into problems.

So, I guess I would want to give everyone a warning that, don't everybody get excited when she pulls this all together and it starts to fly if there are not vibration problems, Electromagnetic Interference (EMI) problems. She has plumbing that is an incredible type of plumbing that is going to have difficulty.

What is good is how General Kadish and she are focused on a test and their driving schedule. And, yes, it is costing more. And, yes, they are going to have to pull in money from the future and other programs. But, it is my experience building the stuff, that is, that the only way to do it is to drive on a schedule.

It is the same thing John and I are doing with the FA-22 to get something. Otherwise, everybody just absorbs the money and absorbs the schedule. So, I feel very confident, both in how she is running this program and the support that General Kadish is giving her, and we came away from that saying anything we can do to help you, we would be glad to do.

Mrs. WILSON. Thank you.

The CHAIRMAN. I thank the gentlelady.

The gentleman from Hawaii, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman.

Mr. Secretary, I want to pursue with you what Mr. Saxton began, and I was not here at the beginning of the hearing and we may be going over some issues, which you have already addressed. But, I think they are so important in terms of funding for the Air Force that it warrants some recapitulation if it is all right with you.

Secretary ROCHE. That is fine, sir.

Mr. ABERCROMBIE. This is not necessarily about the least question per se. But, it has to do with—and I—you are going to have to indulge me just a little bit, Mr. Chairman, and Mr. Secretary, because these pages are not numbered. So, I am—

Secretary ROCHE. Did we do that again? We have lots of acronyms, Mr. Congressman; numbers we do not have many.

Mr. ABERCROMBIE. Yes. Yes. This has to do with a question at one point in the testimony addressing recapitalization challenges, which I read with great eagerness because I have been an advocate, for some time, of trying. I will say a frustrated advocate because I have not been able to figure out how to do what I am about to talk to you about, which is a capital budget versus an operating—not versus an operating budget, but a capital budget to compliment an operating budget for the DOD as a whole.

But, most certainly I think for the procurement side of things with these weapons platforms, it would seem to me that the Air Force would be a prime candidate for such a concept being put forward or being brought to fruition because of the very things that you discussed so clearly with Mr. Saxton.

The idea of a long-term commitment without putting cash up front, particularly when that is regarded by the accounting side of the House as money no longer available to the Air Force or the Navy or the Army, for that matter, Marines. But, I read it quite eagerly except by the time I finished reading it, I did not know anything more. It was a lovely series of paragraphs that kind of went no place, as far as I could tell.

Let me just find it here. Shoot.

Secretary ROCHE. You do not have to find it. I know exactly what you are talking about.

Mr. ABERCROMBIE. Okay. And that led to what you call business transformation and then investments. You did not mean investments, obviously, literally, like stock market investments or something, investments in—

Secretary ROCHE. Capital.

Mr. ABERCROMBIE [continuing]. In trying to prolong the life of systems and so on. And, I was looking for the business transformation. You had, for example, the smart—

Secretary ROCHE. Anchor.

Mr. ABERCROMBIE [continuing]. I am sorry, I am—I hooked the pages over so that I would be able to get them real easy. Here we go. Addressing recapitalization challenges and within the concept of operation, I really could not understand what it was that was going to address the recapitalization issue other than the fact that it was stated quite clearly it needed to be done.

So, then when I went forward from that, we got to the question of enacting business transformation and what it seemed to me followed on with, Mr. Secretary, what was some processes of book-keeping that were going to be a lot more integrative. Existing like the metric system and reporting tool, the real time program status information, those kinds of things are all well and good, but I do not see that as really a transformation. I see that as increased deficiency of information sharing intra-agency or interagency.

And, then there was something called high-powered teams that would do spiral development plans. That is when you really lost me, because I have no idea what a spiral development plan is, particularly when it says that if we have one or several such plans, you could then aide capability increments for future spirals. Maybe you could, just if you could clear that for me briefly and then I will finish my observation and my question.

Secretary ROCHE. Thank you, sir. You raise a wonderful many-hour-conversation, which I would love to have with you. But, I must say poor Pete Aldridge is going to hurt that "spiral" is not well understood. If I may, start from the back and go forward. Most of these are concepts, which we apply very differently, but your point about a capital budget, I just want to say, yes. I live with that business. I understand that the notion of depreciation rates, you have got to plow money back. If you do not plow money back, you are going to create a monster at some point.

You could look at the same thing in terms of people who are not funding properly their retirement funds for their employees, who are not filing—excuse me, not placing enough money into the retired health care. There are a series of areas where companies had to merge because they no longer could face the bill because they let it go on too long.

You have the same thing in capital in the company and I wish we could have, in our way of doing government budgeting, something like a capital budget, as compared to budget authority and outlays wherein if we try to do something over a period of time, boom, we are hit with the whole cost in one year and budget authority, although there is no cash consequence.

Mr. ABERCROMBIE. Yes.

Secretary ROCHE. So, therefore, sometimes leasing makes sense, sometimes leasing does not make sense.

Mr. ABERCROMBIE. I understand that.

Secretary ROCHE. And, the capital budget would work.

Mr. ABERCROMBIE. Or private initiatives in housing, for example, which you cite. Now, Mr. Hefley and I—

Secretary ROCHE. Which worked, that is right—

Mr. ABERCROMBIE [continuing]. Others on this committee pioneered that effort—

Secretary ROCHE. Yes. Yes.

Mr. ABERCROMBIE [continuing]. Which I think is going to result in a capital expenditure by the Armed Services that will pay enormous dividends and has not compromised the role of the Congress—

Secretary ROCHE. No.

Mr. ABERCROMBIE [continuing]. In terms of authorizing or appropriating funds as all.

Secretary ROCHE. No, sir. And, in fact, I—

Mr. ABERCROMBIE. It is supplemented in my judgment.

Secretary ROCHE. I agree with you. I think the multiple is something like eight to one, eight to one. In other words we put up one and the private capital puts eight, but they get their return. And they get a steady return.

We can apply this differently. And something like spiral, a good example is how we have treated the predator. I mean this starts with my partner having a bright idea when he was frustrated and in battle in Kosovo. And, puts a laser designator on it. And, now, okay, we know where things are.

And, then, of course, when Kosovo was over they took the laser designator off because, after all, that is not what this thing was supposed to have. He forces them to put it back on. He says, well, we have a designator, why don't we put a weapon on it? And, has to force that.

I come along and they say, well, that is exactly the right way to think. So, we take a system like Predator. We go to General Franks. And we said to him, we have a number of unmanned or unattended aircraft or remotely piloted aircraft that are not ready for prime time. May we employ them in Afghanistan and learn? And, I believe we have learned an enormous amount. To go to a level to say okay, this one is going to be a razorblade, meaning it

is cheap. If we lose it, it is okay. On next generation, we will plan on having so much.

But, we are not trying to solve world hunger. We are trying to go to a next level that makes sense. That is an example of spiral development, where you are willing to accept—

Mr. ABERCROMBIE. Okay.

Secretary ROCHE [continuing]. Something at the 60 or 70 or 80 percent level and then let the next generation make the next step.

Mr. ABERCROMBIE. Fine. Then having that in mind, I think that the way Mr. Hunter has reorganized the committee as a whole will enable us to deal with that kind of thing more effectively in terms of research and development (R&D) and procurement and authorization. I mean, I am quite confident that this reorganization is going to result in a lot more efficiency that way. We may even be able to do a little spiraling ourselves here and succeed.

But, doesn't that emphasize my point about capital budgeting?

Secretary ROCHE. Absolutely. I mean—

Mr. ABERCROMBIE. Now, the garden-variety response right off the top, that will interfere with year-by-year appropriations. It will, you know, dilute power and so on. I do not see it that way at all. Having served in multiple legislative bodies from city councils to state legislatures to non-profit organizations like the Young Men's Christian Association (YMCA), a capital budget is the sensible way of funding long-term heavy fiscal commitments, particularly when you have an evolving need.

Now, I grant you that—an evolving need like, say, the bombers that we—or the F-22s or the joint strike fighter or whatever it might be. Now, I will grant you that it is more difficult to make capital budgeting work as a theoretical concept when you do not necessarily have social utility associated with it.

If we capital budget a biological laboratory—well, there is going to be experiments, or a medical school, or say the academy, you build a college campus. That is generally what is the—the social utility of the tank or the social utility of an F-22 is not so easily established. You can establish one for a bus that takes people or a metroline or something like that.

So, but, I do not see that that should inhibit within the context of the DOD, being able to define very clearly what was appropriate for a capital budget approach, because as my experience in—and I will conclude with this, my experience on this committee is is that year, after year, after year, we keep dealing with the question of the marginal advance or the—of the capability of how far are we getting with the F-22 or the Joint Strike Fighter. There are modifications that need to be made, so on and so forth.

Would you consider, then, in the context of your testimony, that—or let me ask—that is now what I—not would you consider, but is it your conclusion that you have not yet reached a point where you can say with definitive authority from your side that you figured out how to do this transformation, how to address the question of the recapitalization challenge?

Secretary ROCHE. I can absolutely say that we have not reached that point, sir. I agree with my boss, who talked about we should not use the word transformation. We should say transforming. But, in many respects we are going back to basics. You will recall in the

capital budget, you will invest capital for two reasons. One, to save costs, or two, to increase productivity. So, while there is a societal benefit from a hospital or a bus system, there is also a wartime benefit from having an additional capability, both in deterrence and, then, in modeling and how you fight a war. That is one of the reasons we are so committed to delivering to you a FA-22 of which you would be proud.

But, there are other reasons, you can also reduce maintenance costs, et cetera. It allows you to look at a lease in more imaginative ways. We have taken our Air Force and broken it down into whether, as a good organization, what are the basic core competencies of our Air Force, defined exactly the way a good academic would—things that are enduring, that have very high barriers to entry that an opponent cannot get at.

Well, one of the reasons you do that is to make sure you invest correctly. So, we think there are three for our Air Force: Developing airmen, transitioning technology to war fighting and integrating operations.

That last one is a good example of something that would always fall off the table when people are talking, yet it is unbelievably powerful.

Mr. ABERCROMBIE. Okay. Thanks.

Secretary ROCHE. That is how we have been able to operate.

Mr. ABERCROMBIE. The——

The CHAIRMAN [continuing]. If the gentleman would wrap up——

Mr. ABERCROMBIE. My time is up, so you would consider the concept of a capital budget if we could work on some things——

Secretary ROCHE. I would be delighted to support it. And I would hope my good colleague, Dov Zakheim, would be willing to take a look at an experiment of looking at it. And, I know it is tough, but what——

Mr. ABERCROMBIE. Thank you.

Thank you.

Secretary ROCHE [continuing]. You have done under the lease is you have given a chance to start to think that way.

Mr. ABERCROMBIE. Thank you very much.

The CHAIRMAN. Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman.

Let me join my colleagues first in thanking you both for your service to your country. In particular I would just make a personal point here. My dad was career non-com for 20 years in the Air Force, and it was a great life for us as a family. My brother went on and joined. My cousin is a light colonel now deployed in Southwest Asia.

It has been very interesting for me to watch over the generations, each of them they had success in experiencing what we always believed was a great Air Force and how much better it has gotten, quite frankly. You and your predecessors really have succeeded in creating a self-sustaining culture of excellence. It is quite remarkable, thank you very much.

I have a couple questions, really following on some remarks my colleague, Mr. Marshall, made earlier—some questions that he had. I have similar questions, similar concerns. You both mentioned Tinker Air Force Base in the course of your remarks, a subject near

and dear to my heart since I represent it and my brother and dad worked there when they were civilians after they left the service.

I note with terrific appreciation that you have got \$350 million scheduled for depot improvement and modernization, about more than double, as I understand it, what was there before. So, one, would you comment a little bit on how important those dollars are for you over the—in your long-term investment strategy? And, two, are you planning to continue that level or better, hopefully, of investment in the next four or five years over the out years so to speak?

Secretary ROCHE. Thank you, sir. The future, I do not have on the top of my head. The idea was to make the point that an air logistics center and the employees could be as efficient and as effective as a private firm. The challenge that has been taken up by the employee force at Tinker, as well as Ogden, and at Robins, Warner Robins, has been inspiring.

Once we were able to help them think through benchmarking, and that the data for benchmarking was not for John and me to yell at them. It was for them to look at, and the one thing I am delighted that General Johnson did at Tinker is he put up big screens. And on the screens he just puts metrics of his colleagues versus some private firms. And they look at that and say there is not any reason why those people are better than I am. And when they are better than the private firms, they are bursting with pride.

Second, they were part of the pioneering of the partnership notion, which says that the—in the long-term we have to have organic capability to maintain. In the short-term it is often sensible to do a contractor or logistic support, especially during the warranty period. But, if they can partner early on, the tension goes away. No one has a conspiracy going to the other and some of the investment you get is the company making the investment, because, you know, half of a deal is a heck of a lot better than 100 percent of a no deal.

And, companies are not stupid and they realize that this is a sensible thing for them, because at some point they do not want to be harnessed to old technology. They want to be working on the new technology. A partnership is a way to handle aircraft, especially over a very, very long period of time. So, the investment is to bring Tinker, Ogden and Warner Robins to a level where we can point that this is really good for the taxpayer and good for the country, and I have been very proud of the men and women at Tinker who have taken up this challenge, at first wondering where the heck this was going. But, I will tell you, you have been there before. You go there today, that place is brightly lit, it is clean, there are metrics everywhere, and they are taking it seriously and I commend them to you.

General JUMPER. May I just add that an old mentor of mine used to say that things get better when you measure them. They get even better when you measure them and compare them with like industries. And when you measure compare and reward is when it is the best. So, that is the basic principle we have gone by here with regard to our depots. And, I must say that the results have been outstanding.

We got up to over 400 days for each KC-135 at Tinker Air Force Base to get through the periodic maintenance line. With attention placed to it and looking at processes and a close study of processes and improvements, we were able to get that down to less than 200 days. And, we are working on—we are working even harder now.

It goes up and down depending on—because the aging airplane problems are giving us more surprises than we thought. But, it is not 400 anymore. Those are the kinds of things that we are paying attention to and the workforce at Tinker is doing a magnificent job for us.

Mr. COLE. I appreciate that. Let me ask you, too. Obviously, you are dealing with a period now of very intense operations on, as you pointed out earlier, Mr. Secretary, an aging fleet of aircraft. So, we are in a period where surge capabilities are very important. Do you have the capacity at the depot systems that you need now, given the missions that you have and looking forward?

Secretary ROCHE. I think so, sir. I must tell you in my blunt style, the surge argument was always one that I thought was a thin reed. I much prefer the competency argument. Then you will see as competence, do not worry about the surge. They will know how to do it. I think we do have the surge capacity.

I think investment in tooling can pay off. I have spent time with some of the engine people that say, “Do not think about buying a tool for this engine.” Is there a tool for septive engines so the tool is not used one day out of 12, but it is used 11 days out of 12?

I know John has gone down and had the same sense that a place can become efficient, and when it becomes efficient, you create capacity without having to add buildings, which is always the way you make money.

Mr. COLE. One last question, really a comment, to pick up on, again, a point that my colleague, Mr. Marshall, made. I had the opportunity to visit the AWACS facility out of Tinker and those are old, old, old planes. I mean my dad would recognize those planes. And, I commend you for looking at new platforms and would just urge you to continue in that regard. They do a great job. Those crews are unbelievable. But, the demands on them now, and the Guard units beyond are pretty extraordinary. So, if you get us some new platforms quickly, it would be much appreciated.

Secretary ROCHE. Well, if it was up to us, we would have them. If you can get us some new platforms.

Mr. COLE. Just consider me your pocket vote, Mr. Secretary.

Secretary ROCHE. Thank you very much, sir.

Mr. COLE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

General Jumper, I appreciate your initial comment in which you recognize the significance of 2003 as the 100th anniversary of the centennial of flight. And, I want to thank you and the secretary for your support for Wright-Patterson Air Force Base—

General JUMPER. Right.

Mr. TURNER [continuing]. In Dayton, Ohio. In their celebrations, as they prepare to celebrate the accomplishment that occurred there. As you know, the Wright Brothers perfected flight. So research and development at Wright-Patterson Air Force Base—re-

search and development that comes out of Wright-Patterson Air Force Base is critical to the mission of the Air Force.

General Lyles, from Wright-Patt, recently at the Air Force Association's Los Angeles composium indicated that he saw that the research and development budget of the Air Force was soon going to be overtaken, as a majority of percentage, by space research. And I wonder, if the pressure is for the Air Force to be a leader in space if this might justify increases in research and development funding so that we make certain that non-space research is not neglected.

General JUMPER. I will tell you that there is a lot going on in non-space research. Now, I will have to get back to you on the particulars of the budget cuts. But, when you look at some of the basic research we are doing in propulsion, the strides we have made in some of our support equipment on airplanes that had to do with the expeditionary Air Force, efficiencies in manufacturing techniques, all of these are attributable to the lab work that goes on. I am very pleased with what I see.

I will get back to you on the specifics, sir, but that is a magnificent operation we have there at Wright-Patterson Air Force Base. We are all very pleased with what they do. The teams that go out from there and help us with things like the FA-22 with the airborne laser development, is all absolutely cutting-edge work that we pass on to industry as quick as we can. And I think it is a very well respected operation. We will get back to you on the budget piece of it, sir.

Secretary ROCHE. In the research area I think some could accuse us of not having supported space research to the degree that we should have, and we are trying to make up some time. Under the new direction from Secretary Rumsfeld, we are the executive agents from space for all of the services.

So, it is appropriate we do that. There is a tension, to be honest. We would be less than honest if we did not say that some of our colleagues in OSD might suggest that we act like terrorists when it comes to the subject. We are committed to making sure that we do not overload one side or the other side. And, there is tough debate, very tough debate, and when we finally get a conclusion, it is something we can all sign up to. And, we are all signing up to the fact that in this area of space we need to demonstrate credibility and put money into it.

This does not mean we need to walk away from the other R&D items. But, it is not just so much R&D. We have got to find ways of going from R&D to transition into actual products and be able to get the darn things in less than 20 years.

The CHAIRMAN. I thank the gentleman.

Mr. Bishop?

Mr. BISHOP. Mr. Secretary and General, first of all, I want to thank you for being here. Believe it or not, I had not intended on asking a question or saying anything when I came here. I did not think they would get down to this row by noon anyway.

I apologize for going to the noon hour. I do want to thank you for the comments and the answers you have given. You have to realize I am old and I am slow. I am sitting in a comfortable chair. I am still on mountain time and I found every answer that you gave kept me awake, and I appreciate that very much.

I did, though—as I was reading last night on the comments that General Meyers made back on the fifth, one paragraph jumped out that I had not seen before. He said that that time that he wrote Congress about grave concerns on the impact and unforeseen consequences of environmental laws on military training and testing activities, and that this Congress had provided temporary relief, but only for one statute. Last week, while I was back, actually the last two weeks, I had a chance to spend three days on the Utah Test and Training Range (UTTR), which is a wonderful facility. If not the largest, it is one of the largest that you have.

I just wondered if you had any kind of comments as far as those types of impacts and someone also on the Resources Committee who would like to see that we can preserve that range for future activities and achievements, and if there are any areas or kinds of activities that you would like to see us move to try and help protect at UTTR?

General JUMPER. Sir, let me just say that of the ranges that we use, the UTTR is certainly the king of the ranges; those and the Nellis ranges are the crown jewels of our training capacity in our United States Air Force. The edge that we have today in our United States Air Force is not all technology anymore because there are other systems, as we discussed earlier, that match the stuff that we have.

Our true edge is the training we give our pilots and our crews that make them absolutely, positively the best in the world. Everyone wants to be like us. Everybody wants to come and train like us and it is those ranges that give us that capacity.

We are less affected probably in the Air Force than the other services. And, so, we support anything we can do to make sure that while we are absolutely committed to be great custodians of the ranges that we use, that we do not give in to reinterpretation of old laws or statute that might be used to further inhibit our activity.

Now, the Secretary of Defense's range improvement initiatives and transformational initiatives have worked, helped us very much in this regard. At one point, just for an example, we were going to have to have a permit for each airplane that might strike a bird in the air. You would have to buy a permit for that aircraft.

Mr. BISHOP. That is known as a duck stamp.

General JUMPER. Yes, sir.

Mr. BISHOP. We were going—Weldon recommended that we have a giant duck stamp on each fuselage so you could get your limit on a daily basis.

General JUMPER. Which then meant you could not go hunting.

Mr. BISHOP. But, the problem is you have to dress them out after that.

General JUMPER. Yes, sir. You had to find them and dress them out, yes, sir. And there is not much to find when you hit one at 500-knots, sir. I have had the pleasure of doing that before and it scares you, as well.

And there are occasions that our Army and Marine colleagues will tell you that when they are out in the field they are not allowed to dig the fox hole. They have to put the circle down on the ground where they would have dug the foxhole because of certain

things. We have five biologists on the Goldwater Ranges outside of Luke Air Force Base in Arizona, five biologists that we hire to search the ranges visually for prong-horned sheep before we are allowed to clear airplanes on to the ranges.

All that we—and we continue to want to be good custodians, but we ask in the UTTR and in the other ranges that we carefully monitor attempts to further squeeze down the ranges by reinterpretation of what is the species of animal; what is the sub-species of a piece of vegetation and does that really comply with the intent of the original law?

Boss, anything to add?

Secretary ROCHE. It would be hard to, other than to say that we have some of our colleagues who suggest that if you are an endangered animal who moves into one of our ranges, we will take great care of you and all your little relatives. The other point that I would make is that I think our ranges are the envy of the world.

There is a reason why other air forces want to fly red flag, want to fly our ranges; because they are unique in the world. And they give our airmen a dramatic and imperative advantage to anybody else. Therefore, our sense is they are as intrinsic to our Air Force as would be any depot capability or R&D capability, because we get to do things and train bright young people to just do some magnificent things with the technology that they have. They are spectacular at using some of the old technology. They are going to be just dynamite with some of the new technology.

Mr. BISHOP. Thank you.

The CHAIRMAN. Rob, if you would yield for a minute on that point. Mr. Hanson put together a program, a plan for the Utah Test and Training Range. And the idea was to accommodate both those who wanted to see more wilderness in the United States and to accommodate training and that was to overlay that base with the wilderness designation that would allow planes to continue to operate and fly and yet would give a wilderness designation to a large part of the training range.

It looked to me like a great balance and when—I guess what it would do for the military is fix the ability to continue to train on that range for the future. It looked good. It did not make it through a conference. But, do I take it, General Jumper, that you had a chance to look at that plan and you liked the plan, I take it?

General JUMPER. I had discussed it with the congressman and I will tell you that we think that—we thought that that was the model we should go by for how to treat our ranges and achieve this balance that I talked about.

The CHAIRMAN. Okay. And, so why don't we work on that again this year and, you know, Jim Hanson is one of the wisest guys, best people that ever sat in a congressional chair on this committee, and why don't we see if we cannot work on that, Rob, this year. I think that makes some sense.

Incidentally, General, there is no such thing as a prong-horned sheep.

General JUMPER. It is an antelope, I know.

The CHAIRMAN. There is a big horned sheep and—

General JUMPER. Yes.

The CHAIRMAN [continuing]. There is a prong-horned antelope.

General JUMPER. It is prong-horned antelope, I apologize sir.

The CHAIRMAN. But, I think that is why you guys have not found any of those out there, because there are not any.

General JUMPER. We got the wrong biologists.

Secretary ROCHE. We tried this morning to correct him about the antelope thing—

General JUMPER. Yes. Yes.

Secretary ROCHE [continuing]. But, you know, he just sometimes is slow.

General JUMPER. Yes.

The CHAIRMAN. Mr. Skelton.

Mr. SKELTON. General, how many B-52s does the United States Air Force have today?

General JUMPER. 76, sir.

Mr. SKELTON. How many B-1s does the United States Air Force have today?

General JUMPER. 60, sir.

Mr. SKELTON. How many?

General JUMPER. 63, I guess, 63, I am sorry.

Mr. SKELTON. And, how many—

Secretary ROCHE. Going to 60.

General JUMPER. Going to 60.

Mr. SKELTON. And, how many B-2s does the Air Force have?

General JUMPER. Twenty-one, sir.

Mr. SKELTON. There is a picture over on the far wall of a former member of Congress by the name of Carl Vinson who was in the Congress for over 50 years. He became chairman of the Naval Affairs Committee in 1931, and recognized the need to build up America's Navy fleet, realizing that by 1936 we would be the fourth great Navy power.

In 1934 he guided the passage of the Vinson-Trammell Act that provided for a 120-ship Navy, 92 of which were actually built. Were it not for his actions, we would have been in a far, far more difficult naval situation during the Second World War.

Now, our chairman, Duncan Hunter, has realized, both publicly and privately, the need to increase our bomber fleet. And, yet, I find no recommendation anywhere this year or in previous years for an increase in the United States Air Force bomber fleet. And, I commend our chairman for that.

But, conflicts do happen. Accidents do happen. A small bomber fleet—and you will have to admit that it is—cannot grow unless you recommend it and we pass it. And, it may very well be that under the chairmanship of our leader Duncan Hunter on this committee, we may have to forge ahead like Carl Vinson did. But, it would certainly help if you and your capacities would make recommendations and assist us in that effort. This is not a question.

This is a request that you give serious consideration to this, for the world is very uncertain and even the immediate days ahead of us are uncertain and the years ahead are uncertain. And, as Carl Vinson said, the most expensive in the world is a cheap Army and Navy. Let me paraphrase that. The most expensive thing in the world is a cheap Army, Navy and Air Force. So, consequently, we would direct your attention to that and to the chairman of this committee, as well as to the rest of us. Thank you.

General JUMPER. Yes, sir. I understand.

Secretary ROCHE. Mr. Skelton, if I may, in our dialogue, something like the FA-22 is a magnificent bomber. Mike Ryan and I and John early on tried to think, are we using words that are not conveying what we really ought to? Should we be talking about strike aircraft, long-range strike aircraft or shorter-range strike aircraft?

Most all of our aircraft require tanks. And, as John was talking earlier, the way our Army wants to fight is in a distributed manner. When we think of bomber, we do think of the FA-22 as part of the bomber force. We think of the F-15E as part of the bomber force.

The long-range bombers we recognize, with standoff weapons, can hold us for awhile, but in time we want to start to think about something that may be very novel. So that, for instance, Sergeant Yoshida might be forward in enemy territory and he can digitally call upon a very large object that may or may not be piloted in the plane, but remotely piloted, and call for a particular weapon on a particular target at a particular time. The notion of being able to strike at great distance is a combination of systems, and we do take seriously your thoughts on this.

General JUMPER. If I may, sir. I think we are trying to be responsible on this point. I have deliberately named the next generation the next generation of long-range strike technology, so that it does not prejudice an answer of what that thing might be. And it will include things that might be in orbit or in a through space to be able to deal with the most difficult problems we have right now. The most difficult problem we have right now, as you know sir, is hard and deeply buried targets.

And, as we look at the bomber fleet we have today, especially as we plus-up 80 JDAM weapons on each B-2, our capability against fixed target sets, which is the—for which the bomber is uniquely capable right now, goes up many, many fold, especially when you add the standoff capability with the Joint Air-to-Surface Standoff Missile (JASSM) weapon and the B-1 and the great carrying capability of the B-52.

So, it may be that we—we will come to you with something. The question is, what is that going to be and that is what I am diligently trying to find out. What is the right thing for us to ask for? And, sir, this is on our plate and we hear you.

The CHAIRMAN. If the gentleman will yield, I think the—I want to thank the distinguished ranking member for bringing up a really, really important aspect of the—of our fighting forces. You know, we have sat here for many, many years listening to people talk about concepts that may or may not work in the future. That is a great thing when it truly is deep thinking, creative thinking that is going to lead to a new capability in the future.

It is bad, however, if it is a substitute for what I would call action now. Now, we talked and dreamed about the new systems that we are hopefully going to develop in F-22 and Joint Strike Fighter and other things, as we were putting together our purchase list for fighter aircraft, tactical aircraft, over the last 15 years. And, basically, the discussion of something in the future became a substitute for real aircraft.

So now, Mr. Secretary, you sit before us and talk to us about these aircraft with unretrievable corrosive problems, airplanes—I think, General Jumper, you just did a press thing about planes that are unprecedented aged, what, 23 years average age on the line now? And, yet, if you look at the Joint Strike Fighter, for example, that baby is not coming on line until what, 2010?

General JUMPER. Earliest.

The CHAIRMAN. So, the people over the last ten years, the acquisition folks, and probably necessarily so—because the administration during the 1990s basically attended to lots of other needs, and what they had left over they allowed that for the military and it was not enough to do the job. And we lived on the Reagan era.

We all know that. But, it does not make a—when you look at this extremely small present day bomber force of 21 B-2s, 76 B-52s, and 63 B-1s, you know, Sam Johnson, our esteemed colleague that was a prisoner of war (POW) in Vietnam, and I believe in '73, talked about looking out through his prison cell in North Vietnam and watching a B-52 explode in midair as it was hit by a Surface-to-Air-Missile (SAM) missile.

So, we are fielding systems today, where the largest portion of our bomber fleet, the youngest of which I think came off the line in June of 1962, was destroyed—were destroyed at fairly good numbers by a third world military 30 years ago. That is sad.

The idea that that is all we have today is a tragedy. And the fact that you are thinking about some new stuff to replace it is not a substitute. We ought to have good stuff today and we ought to have lots of it and we ought to have robust deep strike capability today and we will let you have that stuff and we should have that and be able to think about things in the future.

But, thinking about things in the future is not a substitute for equipment now. You know, in 1950 we had the ultimate black box. We had a nuclear weapon, we thought nobody would mess with us. And we were thinking about lots of new things. We are entering this great new age and we had lots of people appear before the Armed Services Committee and talk about the leaner, meaner military with lots of new technology on the horizon.

But, people did mess with us. They came down the peninsula. Our bazookas bounced off the Russian made tanks because we did not have a good bazooka because we were thinking about stuff in the future. And we lost 50,000 killed in action (KIA). In fact, I think they captured the division commander when we rushed the 25th infantry division out of Japan. This is a tiny force, General.

We used to turn a bomber an hour off the production line in San Diego, California, World War II. You could build the entire B-2 line in a day and have three hours left over. Now, you got 76 B-52s, the B-1s. The one thing you have mentioned, Mr. Secretary, was that the survivors of this cut that we made, the 63 B-1 survivors, are now at a fairly high mission capable rate. Is that right?

Secretary ROCHE. Yes, sir.

The CHAIRMAN. Now, what that tells us is that the 30 or 32 that you cut were not defective airplanes. It was not a bad design. It has limitations, but nonetheless, it is an effective long-range bomber. You cut them for money reasons.

Secretary ROCHE. Yes.

The CHAIRMAN. So, if you had your druthers and you had the money, you would like to have them, wouldn't you?

Secretary ROCHE. Mr. Chairman, if I had my druthers I would like to go back to the era of the B-47, where we produced the single largest number of any type of aircraft we ever produced and the entire lifespan occurred in less than 25 years, from birth to retirement, because new technology was coming along and new technology was put into the field. We would love to be able to do this.

The CHAIRMAN. Let me ask you this question, what size bomber force, if you had your druthers and you had the money, would you like to have today?

Secretary ROCHE. You may not like my answer, my answer is what types of targets and how many of those targets can I get at one time, which is a combination of distributed power and against fixed point—

The CHAIRMAN. Well, I am not going to let you make the answer complex, because what I am going to give you is the world as you see it. You have got a world today that has some complex problems and what it tells you is you need to have broad capability as the head of the Air Force—

Secretary ROCHE. Yes, sir.

The CHAIRMAN [continuing]. And General Jumper needs it. So, looking at the world as you see it today, and you got a lot of deep strike requirements that may percolate real quickly. How many bombers would you like to have?

Secretary ROCHE. It is—I would have to give you Abraham Lincoln's answer. How long should a man's legs be until they reach the ground? I know when looking at the plans for a possible contingency we may face that the bombers we have are more than sufficient. What we do not have are things that can go and catch mobiles.

The CHAIRMAN. Well, here is what I would like to ask you. Looking at the world as you see it today, you are getting all the briefings. You know where the world is. It has not grown, has not changed any in terms of the size and shape. The targets have changed. How many bombers would you like to have today?

Secretary ROCHE. In the hypothetical that you ask me—

The CHAIRMAN. No, I am not asking you hypothetical. I am asking you to just look at the real world as it—not as you—as someone might describe it in a hypothetical, but as it exists, as the world situation exists, with the Korean situation percolating as it is, with the Iraq situation as it is today and other possible contingencies, and you were asked to go out and size a bomber force that met what you—will make you feel extremely comfortable. How many bombers would you like to have?

Secretary ROCHE. I will go ahead and leap into it.

The CHAIRMAN. Okay.

Secretary ROCHE. My definition of bombers, strike systems, I would like to have the 21 B-2s we currently have. I would like to have 60 of the B-1s with the JASSM extended range on board. I would like to have the chance to build the FB-22, which has dramatic range—almost as much as the B-2—that also can defend itself, that has advances in stealth. I would like to have 381, mini-

mum, FA-22s; minimum of 150 FB-22s; and then I would like to get to the next generation.

The CHAIRMAN. Now, how many FB-22s?

Secretary ROCHE. I would like about 150.

The CHAIRMAN. Okay. Now, the FB—

Secretary ROCHE. But, Mr. Chairman, if I were to do that, I do not know what else we would not do.

The CHAIRMAN. Well, I am not asking you that question, Mr. Secretary. I am asking you, based on requirements, based on threat, based on assessment of the equipment.

Secretary ROCHE. In my sense of the future, now taking your question very seriously, and—

The CHAIRMAN. No, I am not asking you to look at the future. I am asking you to tell us what you would like to have to face today. If you had a shelf that you could pick systems off of today to build a bomber inventory, we know what you have got because you told Mr. Skelton, you got the 63, the 76 and 21.

Secretary ROCHE. I would stand by what I said, sir. I would like to have at least 381 FA-22s, because they are bombers.

The CHAIRMAN. How many?

Secretary ROCHE. At least 381. And I would like to have 150, minimum, FB-22s, which in fact are the modern version of the F-111 which was a tremendous bomber.

The CHAIRMAN. Okay. And you would take the—and, on top of the additional force that you have today.

Secretary ROCHE. Right.

The CHAIRMAN. Okay.

Secretary ROCHE. And, I would like to continue with the standoff weapons, which are coming very quickly.

The CHAIRMAN. Okay.

Secretary ROCHE. Remember, the B-52 is a standoff launch and—

The CHAIRMAN. Okay. But, now what that tells me is this, Mr. Secretary. That you would like to have those in inventory ready to go. That 150 FB-22s, basically, is the bomber version—

Secretary ROCHE. Yes.

The CHAIRMAN [continuing]. The stretch version, if you will, of the F-22. It is what some people call the B2-Light. Okay?

Secretary ROCHE. Right.

The CHAIRMAN. It does not go quite as far without refueling; it does not carry quite as much, but it does—it has got other aspects that are nice, right? That means that you do not have enough long-range bomber strike capability today because you want to have more.

Secretary ROCHE. Absolutely, because we all know this is an insurance policy.

The CHAIRMAN. Okay.

Secretary ROCHE. And, you gave me the opportunity to say what insurance policy I would love to be able to leave behind when my tenure is over? But, I also know there is not the treasury to produce it right now.

The CHAIRMAN. Well, yes, we understand that. And that is our fault. I mean, and that is—but, you are the guy that is supposed to lay out what you think the tools are, what tools are required to

meet the particular challenge of the day. And you see the challenge, as well, as all the rest of us.

Secretary ROCHE. And, I also see the challenge of my boss who has to balance an under-capitalized Navy, Army, Marines Corps and I feel for this guy. How the heck do you make these trades when there has not been the recapitalization for 15 years?

The CHAIRMAN. Yes. Let me ask you a couple of questions, about this recapitalization. One thing that you and General Jumper expressed consternation with was the ability to get these doggone systems down the line and acquire them. And, you know, I mean there is probably no greater illustration of that as when I was out at the Pax River and I saw one of the competitors for the Joint Strike Fighter and said, "There it is."

They had a fly off or when are we going to have the first fielded wings of these babies? And you are looking at 2010. And you say, why can't you just say, you know, the ones we flew, make more of them, right, and put them on the line. And then they explain to you about the time that it takes to go down through the—through all of the testing and the development and finally the fielding.

We have a massive bureaucracy that does this for us. Now, you also mentioned that you got some third world nations where people literally are eating the bark off the trees and have produced superior fighter aircraft to what we have. Now, what that tells me is, with limited resources, without the people, perhaps, without the technology, without the money, they beat us. And they get stuff built fairly quickly.

Secretary ROCHE. Here in the United States.

The CHAIRMAN. No, I am talking about the SU—

Secretary ROCHE. The SU.

The CHAIRMAN [continuing]. 23. That is not built in the United States.

Secretary ROCHE. The others that are built in the United States that are delivering in less than 4 years or 6 years compared to our 20.

The CHAIRMAN. Yes. Do you think we could cut the—when we talk about the amount of time it is going to take to field stuff like the Joint Strike Fighter and even the F-22, which took a long time, do you think that is attributable to the speed of technology, the technical complexity of these systems today, or the speed of bureaucracy?

Secretary ROCHE. It is a combination, I believe—and I will ask John to comment—that in some cases we ask too much right off the bat because we are pressing technology. And then we are not willing to say it is okay. We will not take that, we will take—

The CHAIRMAN. You will not take the 80 percent solution.

General JUMPER. Right.

Secretary ROCHE. Exactly. The second thing is, it is my belief, and I do not want to criticize anybody but ourselves, our own Air Force bureaucracy. We call it sometimes acquisition tyranny. Now, all the top leaders—General Lyles, Marv Sambur—all recognize we take too long. We have too many people involved in things.

We went out and found that the test program for the FA-22, between the test program and the System Program Office (SPO) and the companies was—I do not want to use the word typical of sail-

ors, an expression I would typically use—it was not as tidy as it ought to be, as my boss might say.

The CHAIRMAN. You know, Gordon England pointed out one time when we were making on F-16, a week at Dallas Fort Worth, we had something like 1,100 Air Force personnel assigned to that program to watch these 53-year old, on the average, workers, who have been making F-16s for a long time, make them at Dallas Fort Worth. Over 1,100 personnel watched them make one F-16 a week.

Now, I remember talking to Jack Wilson, when I was a freshman, and Dave McCurdy and I were going to try to fix the procurement system in a week. And, so we got the—the chairman let us go around the country and talk to these guys. Now, Wilson in Boeing told us this, he said—

Secretary ROCHE. T. Wilson.

The CHAIRMAN. Yes, T. Wilson. He said, I am going to be delivering some planes for such and such an airline. He said, they are going to be under cost, ahead of schedule. He said, while I was building these, I had precisely one rep from the airline in my plant.

He said, I am making these planes for the Air Force and I have got something like 250 Air Force personnel. He said, all they do is pull my engineers off the floor, force them to brief them for hours on end. And, he said, these planes are going to cost 30 percent more than they should cost. He said that is the problem.

Now, you know, I want you to give me, after you leave this place, a summary of the number of personnel you have got dedicated to the F-22 program and how many people you got looking over folks' shoulders. And, also, in a positive way, see if there is not a way that we can accelerate the process for Joint Strike Fighter. Don't you think there is?

Secretary ROCHE. Yes, sir. And, by the way—

The CHAIRMAN. Well, if you are not going to do it, whose going to do it?

Secretary ROCHE. We are going to do it until we are fired. At least that is the old joke of the farmer who won the lottery. I mean we are sort of sitting here both restraining about coming over the table and yes, you know, the joke of the farmer who won the lottery and someone said what are you going to do?

Well, we are going to keep on farming until we go broke. We absolutely agree. We are looking at this ourselves. And in the FA-22 we are asking our own people. We are getting our own bureaucracy fighting us. If we cannot master it, then it is hard for us to criticize others.

The CHAIRMAN. Okay. Let me give you—wait a minute, let me give you one suggestion and this is what I have discovered after all these years. If you ask your system to come up with a streamlined bureaucracy for the F-22, and let's say you have got 3,000 people doing it, they are going to come up with a great report to you, Mr. Secretary. It will be very well written. It will have a job for all 3,000 of them. If you arbitrarily jettison about 1,500 of those people and you tell the remaining 1,500 they better find a way to manage this program and be home in time to watch the ballgame, they will figure it out.

Secretary ROCHE. Right.

The CHAIRMAN. And, that is how you will get creativity. You will never find a bureaucracy that will design away its own job. So, now what that says, that goes to, ultimately, is you may have to do what the Secretary is doing, which is put some mandates down.

Boy, he has put down mandates to take out certain percentages of his staff, of his DOD departments. He says we do not need to have all 100 percent of the folks that are in this office. We can do with 75 or 50 percent. Have you done any of those arbitrary cuts?

Secretary ROCHE. We have, especially in the test program and the SPO and the FA-22. We also took a good leader, who is not a quote, "acquisition" person, but a leader and a pilot and put him in charge of those and tell him to drive on the system, to drive towards schedule. The thing that we would love to get back to is where there is a customer, people are going to fight in war. There is a supplier who is going to build something and there is a steady stream of funding, a steady stream of funding you can help. If we can get a customer, a supplier and a steady stream of funding and get the damn bureaucracies—excuse me—the darn bureaucracies out of the way, and stop stopping things to check.

When I was in a company and we were doing the wings, not the wings, but the fuselage for the 747, we would have a Boeing inspector come down once every six months, a, Boeing inspector. At the same time the B-2 had a building full of people. Now, when I ran Baltimore, the old Westinghouse Electronics north of Grumman Electronics, I had a nice group of people; they were very nice, but increasingly I kept saying why are there so many of you?

The CHAIRMAN. Well, then my question—you know, I was going to write an op-ed piece the other day about why Congress should not do certain things with defense. And then I stopped and said, wait a minute, you are Congress, at least you are part of it. So, we are going to try to do some things.

Secretary ROCHE. So, are we.

The CHAIRMAN. Not just recommend things to be done. I think you have got enough discretion, enough authority to actually, in your own shop, to make some fairly massive cuts in your bureaucracy, and when we did this shopper analysis, that is just on the people that do the paperwork to buy our systems, I believe. As I recall, the Army that year was buying about \$8.7 billion worth of procurement.

The payroll for their shoppers, not metal benders, not guys designing the planes, but just the guys doing the paperwork was like \$2.7 billion. That meant every time the Army bought a \$10 million helicopter, they paid \$3 million to the shopper that went down to sign all the paperwork to buy it, which is an incredible cost.

There are 300,000 professional shoppers in DOD in 1994. It is down some now. But, a lot of those are your people. And, I would suspect that the only way you are going to—it would come down, I think, to a little under 200,000, but some of those have been replaced by consultants. I would recommend, you might actually be able to accelerate the progress of the F-22 and Joint Strike Fighter and your other systems by arbitrarily reducing your own bureaucracy.

And I think you have the authority to do it. So, like me, when I was getting ready to write the op-ed to myself to tell me what

Congress ought to be doing, right? Maybe you should take that budget pen and cut that bureaucracy back. Now, what that will do is, the folks that are remaining in that ten-man office who now are a five-man office, they will figure out how to get the job done with five.

Secretary ROCHE. Let me give you an example of how right you are. John had a staff and I had a staff. And we said well, if we can work closely together, why do we have two staffs? We do not——

The CHAIRMAN. Good.

Secretary ROCHE. We have one staff now. And we do not need to duplicate it.

General JUMPER. Let me just add, Mr. Chairman.

The CHAIRMAN. Good, but I hope you take that symbolism and apply it to your entire shop and eliminate 50 percent of the bureaucracy.

Secretary ROCHE. We would like to. We would want to start at the top so people cannot say, "Do what we say, not what we do." We are trying to say, "We have done it, now why can't you do it?"

General JUMPER. And, nobody is sitting back waiting for a briefing, Mr. Chairman. We are out there. We went together and addressed the factory workers on the floor at Marietta who were building the FA-22 directly. Over the heads of the company leadership, and talked to them directly about how important their project is. We have been out there to the test. We have gone through all of those things and we redesigned the test. And, we streamlined the processes and the people who were doing it. So, some of this is——

The CHAIRMAN. Well, now that is good, General. But, General, when you walk away from that plant, if you end up with the—if you have 100 people assigned to the plant, I do not know how many you got. If T. Wilson is right, they are all going to come out the day after you leave with your eloquent speech about moving ahead, and each one of them is going to want to have a briefing from all the engineers on what they did that day and they are going to slow stuff down.

So, I would like to have from you, Mr. Secretary, a synopsis as to how many folks you got dedicated to these programs, how many uniformed guys are watching this process and maybe if we can speed this process up, we can make a case for getting some more dollars in there.

Secretary ROCHE. Well, I would be delighted to cooperate with that, sir. And, if we could go one step further. If we can make our part of it work faster, maybe some of the other bureaucracies that get in and ask the 5,000 questions that require us to have 500 people to answer the 5,000 questions, maybe we could work on them. Our belief is——

The CHAIRMAN. Exactly. And, that includes us.

Secretary ROCHE [continuing]. Start in our own house.

The CHAIRMAN. Yes.

Secretary ROCHE. We want to start in our own house, and we are trying to make some progress.

The CHAIRMAN. But, listen, let me make a recommendation. Do not just start because things take a long time and you will be leaving. I will be leaving and, we will be halfway through starting.

Secretary ROCHE. Yes, they are waiting for me—

The CHAIRMAN. Why don't we just make some arbitrary cuts. That is the only way you are going to get it done. If you ask them to justify their own demise, a bureaucracy will never do that. They will define a job for each and every one of them; that is the way we are. That is what congressmen do. We do that all the time. We never define ourselves out of a job.

But, let me ask you another question. Is the Su-37 an item of some concern? The Russians have transferred some of the production capability to the Chinese, have they not?

General JUMPER. Yes, sir.

Secretary ROCHE. They transferred the airplane. I do not know if they have transferred the production capability.

General JUMPER. Not so much—and it is not so much the Su-37, but it is the models—the two models before the Su-37 that the Chinese are actually getting.

The CHAIRMAN. What is that called?

General JUMPER. The Su-31.

The CHAIRMAN. If you compared Su-31 to F-16, where is it better?

General JUMPER. They have got—the Russian airplane has longer-range missiles and is more maneuverable.

The CHAIRMAN. But, if you compared the 31 to the F-16, F-15, where is it? If Su-37 is superior, where is the 31?

General JUMPER. It is equal to the F-16 and the F-15.

The CHAIRMAN. Okay. How many are the Chinese building, do you know?

General JUMPER. Sir, the answer is hundreds and I cannot—let me get back to you.

[The information referred to is classified and retained in the committee files.]

The CHAIRMAN. Okay.

General JUMPER. And, the service—

The CHAIRMAN. What is the production—is Russia building the Su-37 in some numbers itself?

General JUMPER. It is not producing them. It has built it. It has flown it. And it is on the market. But, they have not actually sold any yet to my knowledge.

The CHAIRMAN. But, have they produced any Su-37s for their own use? Is the Su-37 a fielded aircraft?

General JUMPER. No, sir, but it is flying and it is for sale, but nobody has purchased it yet. And the Russians have not purchased any themselves. They just build it. It is on the—

The CHAIRMAN. So, they just have a few prototypes?

General JUMPER. They have got, yes, sir, just a few airplanes of the 37.

The CHAIRMAN. Okay.

Secretary ROCHE. Was it Su-35? What is the one that is in India and China that is also quite advanced?

General JUMPER. 35s, 31s and 27s are also quite advanced. We have experience against some of these.

The CHAIRMAN. Okay. Has the 35 been produced in Russia in some numbers?

General JUMPER. Sir, let me get back to you on what is the answer—

[The information referred to can be found in the Appendix beginning on page 499.]

Secretary ROCHE. There are foreign sales of them and, in some cases, the electronics are much better than in other cases, depending on to whom they sell them.

The CHAIRMAN. I understand. But, what I am trying to ascertain is whether there is a one Russian industrial based producing fighter aircraft today.

General JUMPER. And, the answer is yes.

The CHAIRMAN. Okay. And, you do not know how many? If you get back with us.

Secretary ROCHE. We can find out and get back to you.

[The information referred to can be found in the Appendix beginning on page 499.]

The CHAIRMAN. Okay. Well, that is kind of an important aspect of this. You know, one other thing we are concerned about here is we are spending a ton of money on taking down Russian weapon systems and we are doing that, not only with the warheads on the nukes, and the disassembling, but we are also going to be taking their gas plants, chemical plants, which they have an obligation under treaties to take down.

They now want the Americans to pay for it. And, one thing we are concerned about on this committee is, while we are paying for it and it is costing cash money—we just spent 100 million bucks building a plant to neutralize rocket fuel and found out all the rocket fuel had been diverted to the space program.

So, we got a \$100 million white elephant out there. But, while we are doing that, they are taking their cash money and building weapons. So, it is kind of a dicey game as to how much cash you save somebody who is still building some weapon systems. And, presumably, selling these things. So, I would like to, if you can get that, get the production numbers, that will be good.

Tankers, if you look at your tanker numbers, have we got enough to run a robust deep strike with the systems that we have got?

Secretary ROCHE. Yes.

General JUMPER. Under the contingencies today, yes. The load of the Rs the distances our aircraft go, yes. When we have to have a lot of aircraft distributed over an area, you know, we work them pretty hard, but we are okay now. Our concern is a couple of years from now. We are fine right now. But, if we have a glass problem on the 135 aircraft type, then we are in deep trouble, because we only have 49 KC-10s.

The CHAIRMAN. Okay. How many tankers do we have? Do you know?

General JUMPER. Sir, it is roughly 600. And, it is roughly 540 and 59 KC-10s.

The CHAIRMAN. Okay.

General JUMPER. But, 600—

The CHAIRMAN. We are the only nation in the world with fairly robust tanker capabilities.

General JUMPER. Absolutely.

Secretary ROCHE. Absolutely. And, our new aircraft, because of internal carriage, will, in fact, go longer and require less tanking, which will make it more efficient. Increasingly, the concept of how you tank is becoming very interesting. KC-10s have paid off dramatically because they, themselves can refuel. So, that you can consolidate fuel on one aircraft and keep it up for a long time to supply a lot of the other aircraft.

The CHAIRMAN. Mr. Gingrey, and then I will have the ranking member ask the last question here.

Dr. GINGREY. Thank you, Mr. Chairman.

Mr. Secretary and General Jumper, first of all I want to thank you for coming to my district at Dobbins Air Reserve Base at the invitation of General Cain and Lockheed back in December. You guys scared us so much that three days later I had to have open-heart surgery. But, I survived that. Well, I have got a couple of questions for you that really pertain, of course, to what is going on. They are in my district and at Lockheed Martin in particular.

The F-22, of course, is being assembled in our district, the 11th of Georgia. The status of this program is obviously of critical importance to me. Can you please provide me with the most recent update on this critical weapons system? And, furthermore, can each of you please speak to the role of the F-22, or FA-22 will play in the United States Air Force over the next decade? In particular, how do you see the development and eventual fielding of the Joint Strike Fighter interacting with the FA-22 program?

Secretary ROCHE. In the three hours it will take us to answer this question, sir, very briefly, the FA-22 gives us a dramatic ground capability deep and, also retains its very, very great air-to-air capability, which increasingly would be devoted to cruise missiles. It was meant to fly very high and to fly deep. The F-35 is meant to fly much lower, also very stealthy, single engine, a very good set of electronics. But, to operate closer to targets than the 22 was. But, enough standoff exists with the 22, enough capability in an advanced radar for it, that it will be very good as a compliment. These will be complimentary systems.

In terms of where we are in the program, I will give my points and ask John all the key parameters we have met. It is stealthier than we want it to be. The engine, super cruise is greater than its spec. The radar performance is better than its spec.

As an airplane it is terrific. We are now trying to bring together all of these complex systems and integrate them and go into test and you always have difficulty at this stage. And it was part of the program that was not properly funded for in the past. We have fessed up. We have been funding it correctly.

We are not asking people for 50/50 bets on it. We are saying what is an 80 percent chance of success if we have the right amount of money. And, we believe that we can devote this next year or so to making this plane something you would be proud of and get it to a steady production rate. We can then drive down its cost.

Dr. GINGREY. And, my last question, if I might, Mr. Chairman. In this regard, the C-130-J upgrades, the multi-year contract is what my question is, you know, where are we? When will the

comptroller finish work on that multi-year C-130J contract and when can we expect to have that information presented to the contractor?

Secretary ROCHE. I think it is very shortly. The issue had to do with the Marine Corps' participation in the contract and my last check on it was last week. And, in fact, it looks like we can go forward. So, I would expect, you know, that Secretary Zakheim will wrap it up here shortly.

Dr. GINGREY. Right. That is good news to me. Thank you very much.

The CHAIRMAN. I thank the gentleman.

And, the distinguished gentleman from Missouri?

Mr. SKELTON. I will not belabor the point, but you gentlemen know of my deep interest in the small dynameter bomb for the B-2. Could you see to it that in the next couple three weeks I could get a briefing on the status of that and also, I would ask what efforts, if any, are being made to make that compatible with some weapon platforms in the Navy? Thank you.

Secretary ROCHE. Be glad to, sir.

The CHAIRMAN. Okay. I thank the gentleman. Let me ask you just one or two more questions and we are going to let you get out of here. But, the—

Secretary ROCHE. I was going to fly to the Air Force Academy afterwards, so you can keep me all day if you want.

The CHAIRMAN. The FB-22, the stretch version—what kind of range will we have?

Secretary ROCHE. It depends on whether you have a single seat or a double seat. When we looked at it we thought a double seat was worth it. I think I am in the unclassified realm—whereas the B-2 is roughly something over 2,000, below 2,200 miles unrefueled, the FB-22 could easily be 1,800 or 1,600. If it had 2 souls on board, it would be closer to 1,600. That just opens up a dramatic number of options.

The CHAIRMAN. F-22—what kind of general range are we looking at?

Secretary ROCHE. A range of something in excess of 600 miles, it is actually a much longer range than people realize.

The CHAIRMAN. Okay.

Secretary ROCHE. About the same as the F-35.

The CHAIRMAN. The F-18 today, where is it at? Do you know generally? Maybe F-16 would be even better.

Secretary ROCHE. We are going to talk with weapons.

The CHAIRMAN. Yes.

Secretary ROCHE. That is how this game gets played.

The CHAIRMAN. We do not expect you to go unarmed. The good news was you arrived early, but the bad news was you had no bullets.

Secretary ROCHE. The big difference, as you know, chairman, is if you have a stealthy airplane with armament, it flies the same as without. Whereas a typical aircraft like the F-16 clean may have a great range, with weapons on it it is around 150 to—

General JUMPER. 250—

The CHAIRMAN. Okay. Now, let's walk this up. F-15, F-16, around 250 armed.

Secretary ROCHE. No, I do not think it is 250, I think it would be in the 100s—

The CHAIRMAN. 150?

Secretary ROCHE [continuing]. For the 15.

General JUMPER. Right.

Secretary ROCHE. Armed, but all that is rational.

The CHAIRMAN. Yes, maybe 150 armed. Okay.

Secretary ROCHE. Yes.

The CHAIRMAN. So, maybe you go from 150. The F-22 takes you up to what?

Secretary ROCHE. 600.

The CHAIRMAN. 600. So, if you have a factor of four FB-22 it would take you to what?

Secretary ROCHE. 2, with 2 pilots, 1,600.

The CHAIRMAN. 1,600. That is big. Now, the Navy talked to us about the fact that they had to get four refuelings in some of these aircraft, presumably FA-18s in the Afghan theater. You guys had trouble getting into that theater early with tactical air (TACAIR), right? Because of the 150-mile range, is that right?

General JUMPER. Actually, sir, we had the ability to go in there. We chose not to because we had plenty of firepower from other places. And, as a matter of fact, we have airplanes on the ground there now.

The CHAIRMAN. Well, I know you got them now. But, I thought you had trouble—the article said you had trouble getting into theater early on. And you had a little fuss when the Navy wanted some of your JDAMs because they were getting in?

General JUMPER. Sir, there was no fuss.

Secretary ROCHE. No fuss. No fuss.

General JUMPER. We traded back and forth transparently on the weapons. And maybe initially we had problems getting in there, but we—

The CHAIRMAN. Okay.

General JUMPER [continuing]. Were able to get in.

The CHAIRMAN. Okay. But, nonetheless, that is extra range, so, if you do not look at the separation between bombers and fighters as a brick wall, but rather this is a continuum of the extra range that you get from going from 150, going up to 600 and then going from 600 to 1,600 is pretty dramatic.

Secretary ROCHE. It is. Yes, sir.

The CHAIRMAN. And, it is a species of deep strike capability?

Secretary ROCHE. Right. And, as you go up in range, of course, you give up, say, Gs on the wing, but you still retain the self defense. I mean the beauty of the FA-22 as we have envisioned it is that you really do get an honest range that is dramatically better than a 15 or 16 with stealth, with super cruise, but it depends on the profile you would fly.

The CHAIRMAN. Now, what is the next plane out the door for F-22 and it is going to cost how much?

Secretary ROCHE. Right now, the marginal cost—and Johnny had it the other day—I think \$124 million is the marginal cost for the planes coming up this year in current year dollars.

General JUMPER. We were trying to get to \$111—

Secretary ROCHE. \$111 was our goal.

General JUMPER [continuing]. It came in right at \$120, sir.

The CHAIRMAN. Okay. When could you have—

Secretary ROCHE. Studies about how many there were going to be—raised their prices.

The CHAIRMAN. When could you have F-22B fielded?

Secretary ROCHE. We believe, but it is a first—

The CHAIRMAN. FB-22.

Secretary ROCHE [continuing]. Seven years after we start with an NRE investment, you could have an FB-22 flying. I think it is 4.5 years to 5 years before our first flight, because everything we do on the FA-22, Mr. Chairman, all the avionics, all the integration, moves over one for one. The thing that changes is the size of the wing, weapons base, and how you then control the weapons on-board.

The CHAIRMAN. Okay. So, you are looking at—

Secretary ROCHE. Bigger—

The CHAIRMAN [continuing]. A fielding a substantial number of FB-22s, if you started now, when?

Secretary ROCHE. The first pass would be—I think in honest, if we could do this in a sensible way, we could have a bunch of them starting to roll off in seven years. And then start cranking out. We would probably—we would have to debate where they would be built, but we could move. Remember that it is a program on the FA-22 is one-third Boeing, two-thirds Lockheed.

We would work something out with the suppliers. But, you would also be able to buy in numbers. It is the stability of a program. Mr. Chairman, if we begged for anything, it would be to give us a chance to get programs stable instead of one study after another study. I was a supplier, Mr. Chairman, to this plane, the FA-22.

Every time I picked up a paper and someone was doing a study of how many F-22s there were going to be, I pulled back my investment. I thought about raising prices because I could not trust anyone. Whereas, the foreign acquisitions I am talking about, they buy a block of airplanes for this price and you produce them.

The CHAIRMAN. The B-2 bomber, is that range classified?

Secretary ROCHE. No, sir, as I said, it is roughly 2,200 miles.

The CHAIRMAN. Okay. Weapons carriage?

Secretary ROCHE. You have two rotary launchers, which right now carry 16 JDAMs. If you go to the 500-pound JDAM you are talking in terms of 80. If you were to go to small diameter bombs, you are up over 300. And, then the concern is not how many weapons are on board, it is how much time the doors are open.

The CHAIRMAN. How far away are we from the 500s?

Secretary ROCHE. 500 is—

The CHAIRMAN. Fielded.

Secretary ROCHE [continuing]. Been tested or is about to be tested. It has been tested. Fielding it is a kit. Once it is through the test, I would think by next year we should start to have the first one.

General JUMPER. The pacing item is actually the rack that you put the 80 bombs on. And I think we are still two years away from being able to deliver that rack, sir.

Secretary ROCHE. I think we have been pressing—you have helped me press faster and I think we are going to have our test

of a rack simulating 80, dropping some, in this calendar year or early next year.

The CHAIRMAN. Now, the smaller, the so-called smaller diameter, How much is that going to weigh?

General JUMPER. 250.

The CHAIRMAN. That is about a 250.

Secretary ROCHE. With a glide. So, it has a little standoff.

The CHAIRMAN. 60 miles?

General JUMPER. And wings?

Secretary ROCHE. About—

General JUMPER. With the super cruise configuration, about 40 to 50 miles.

The CHAIRMAN. Okay. Well, now I was talking about B-2.

Secretary ROCHE. Say 20 to 30.

The CHAIRMAN. B-2 at super cruise.

Secretary ROCHE. No, no, the B-2 cannot super cruise.

The CHAIRMAN. No. General Jumper was asked to destroy those blueprints, right?

General JUMPER. Yes, sir.

Secretary ROCHE. Well, now it is a design—

The CHAIRMAN. I know. But, anyway, the 250 on the B-2 would give it—you would carry, how many, 300?

Secretary ROCHE. Over 300—320 to 360, depending on how many spots you stuff them in.

The CHAIRMAN. Have you figured you would be able to take out a majority of targets that are presently taking the big JDAMs with the 250s?

Secretary ROCHE. We have a good sense that a 500-pound JDAM covers an awful lot of the targets we use a 2,000 pound JDAM for, because accuracy turns out to be more important than boom, explosive power, especially in buildings that are made of thick walls of mud and concrete.

The CHAIRMAN. Yes.

Secretary ROCHE. The 250, we want to be exquisitely accurate, and then there is a bunch of the 250s, which will be the weapon of choice against movers. That is why it and the FA-22 could be so successful deep either with external cueing or in responding to Sergeant Yoshida who gives us three hits on something that moves. It is then dead.

The CHAIRMAN. Okay. Okay. Ike, do you have any more questions on the 500?

Okay, well, gentlemen, thank you very much for your presentation today. You have got a lot of operational challenges ahead of you and I almost feel guilty taking as much time as we do to scrub these systems.

But, I think the members of the committee had a good give-and-take and got a good sense of where you are going on your programmatic issues and operational—and this issue in Colorado, too, with the academy is very important to a lot of members. Thanks for your service to the country and the hearing is adjourned.

[Whereupon, at 1:00 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 27, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 27, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Department of the Air Force FY04 Posture Hearing

Wednesday, February 27, 2003

This morning the Committee concludes its review of the military services' fiscal year 2004 budget requests with the Air Force.

I am pleased to welcome back Secretary of the Air Force James Roche and Chief of Staff General John Jumper to testify on the Air Force's budget request.

The Air Force, like its sister services, has had to quickly adapt to a new strategic environment where America's adversaries have demonstrated a willingness to increasingly challenge the United States at home and abroad. To meet this threat, the Air Force has expanded its Air Expeditionary presence overseas and strengthened its defense at home.

Before September 11, 89,000 Air Force personnel were either assigned or deployed overseas. Today, deployments have

increased by 250 percent with Air Expeditionary forces deployed to 44 world-wide locations, including ten new bases.

Before the Global War on Terrorism began, only 14 fighter aircraft were on alert at seven locations in the United States. Today, 45 aircraft are on alert at 18 locations in defense of the American homeland.

In some cases, new requirements have outstripped the Air Force's ability to meet and sustain them and new solutions are being pressed into place. So, for example, some 9,000 Army National Guardsmen are now being mobilized to provide force protection at Air Force installations due to a significant shortfall of Air Force security police in the active, National Guard and Reserve force structure.

Three weeks ago, Secretary Rumsfeld outlined the challenge before us—to win the global war on terror, to prepare for threats we will face later this decade, and to continue to transform for threats we will face in 2010 and beyond. Faced with aging air and space systems that cost more and more to operate and maintain, the Air Force has a daunting challenge to sustain its current operations

tempo, to modernize in this decade, and to transform itself to meet future threats.

The Air Force fiscal year 2004 budget request is \$93.5 billion, an increase of \$3.6 billion from last year. While this budget makes improvements to important quality of life areas, the proposed level of funding to operate and maintain today's forces and to modernize is simply not enough to sustain the current force structure or to improve the Air Force's aging infrastructure.

The fiscal year 2004 budget request includes \$6.1 billion for the Air Force's flying hour program, an increase of about five percent compared to last year. However this increase buys us about three percent fewer actual hours in the air because the cost per flying hour continues to increase due to the Air Force's aging aircraft fleet.

The infrastructure budget request which sustains current facilities, begins new military construction, and supports base communications facilities, is \$4.6 billion, a ten percent decrease from the \$5.1 billion level in fiscal year 2003. Like its aging aircraft fleet, the Air Force's aging infrastructure results in higher operations and repair costs.

The modernization budget represents a mixed picture. While the request for research and development increases about 26 percent, the procurement budget decreases about three percent from \$17.0 billion last year to \$16.5 billion for fiscal year 2004. I am particularly concerned about this procurement decrease since I believe that only through the accelerated replacement of the Air Force's aging equipment can we begin to control the escalating operating and maintenance costs that are consuming an increasing share of the budget that buys no additional combat power.

To fund the increased costs of aging infrastructure and aircraft, the Air Force budget request includes the proposed reduction of 68 KC-135E air refueling tankers, which is projected to save about \$782 million across the future years defense program. While further force reduction details for fiscal year 2004 are yet to be revealed, the reduction in air refueling tankers follows the planned deactivation of 32 of the Air Force's 92 B-1's in fiscal year 2003.

These decreases in force structure at a time of increased deployments overseas, a higher alert posture at home, and the prospect for military conflict in several regions of the world, present an increase in operational risk that needs to be fully debated and understood.

I look forward to a candid discussion of the risks associated with our readiness, investment, and transformation strategy both in this hearing and in our more detailed subcommittee hearings to follow.

I now recognize the committee's ranking Member, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

Mr. Secretary and General Jumper, without objection, the entirety of your prepared statements will be entered into the record.

Secretary Roche, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, Committee on Armed Services, U.S. House of
Representatives
Posture Hearing on FY 2004 Department of the Air Force Budget
Request
February 27, 2003**

**Thank you, Mr. Chairman. Secretary Roche, General
Jumper: thank you for being here. It is particularly fitting to have
you here today on the birthday of America's greatest aircraft
designer, the late Kelly Johnson.**

**I am pleased to see a continued rise in the Air Force budget
request for Fiscal Year 2004. You are undertaking a lot of
important and innovative programs that will prove beneficial to our
combat power. To make sure, we in Congress will be adopting the
motto of the 9th Strategic Reconnaissance Wing at Beale Air Force
Base-Semper Paratus, "Always Vigilant".**

In that spirit, I would like to highlight a couple areas I hope you will address in your testimony. First, I understand the Air Force is considering force structure changes in several weapons systems. I'd like to understand what these changes are and what is driving them. In particular, I hope you'll address whether end-strength pressures have anything to do with these changes.

Second, I was pleased to see the 300-person increase in your end-strength request. I understand that this increase is for special forces. But there are still 8,000 Army National Guardsman guarding Air Force bases, and the deployment rates of Air National Guard and Air Force Reserve forces remain high. How is the Air Force planning to address these other force management challenges?

Finally, I'd like to express my concern over the request for more leasing authority in this budget. In the long-run, this seems a

more costly way of providing capability-instead of paying for it up-front as we should.

Again, I'd like to welcome both Secretary Roche and General Jumper. I also want to publicly thank all of your officers and airmen for all they do every day. I look forward to your testimony. Thank you, Mr. Chairman.

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE ARMED SERVICES COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: FISCAL YEAR 2004 AIR FORCE POSTURE STATEMENT

STATEMENT OF: THE HONORABLE JAMES G. ROCHE
 SECRETARY OF THE AIR FORCE

 GENERAL JOHN P. JUMPER
 CHIEF OF STAFF, UNITED STATES AIR FORCE

27 FEBRUARY 2003

NOT FOR PUBLICATION UNTIL RELEASED
BY THE ARMED SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and members of the committee, the Air Force has an unlimited horizon for air and space capabilities. Our Service was borne of innovation, and we remain focused on identifying and developing the concepts of operations, advanced technologies, and integrated operations required to provide the joint force with unprecedented capabilities and to remain the world's dominant air and space force.

The Wright brothers' historic flight in 1903 ushered in the dawn of a dramatic era of scientific, cultural, and technological advances. As the Air Force celebrates this centennial of powered flight, we do so with the recognition that, despite the daunting challenges of a more dynamic security environment, the next hundred years will witness equally fantastic achievements. The 2003 Air Force Posture Statement reflects this optimism. In this report, we relate some of our accomplishments of 2002 as well as our vision of an innovative and adaptive force capable of guaranteeing American air and space dominance for the decades to come. Our successes are America's successes; they are the direct result of the selfless and unconditional service by men and women of the Total Air Force and their families.

During the past year, and in the midst of combat and a variety of contingency operations, we evaluated, implemented, and validated a host of technological advances, organizational changes, and concepts of operations. These enabled us to deliver desired effects faster and with greater precision than at any time in the history of warfare. Such adaptation is characteristic of our Service, as airmen continually strive to push innovation ever forward en route to unprecedented air and space capabilities for combatant commanders, the joint force, and our Nation. In the year ahead, we will move our expeditionary Air Force closer to realizing the transformational imperatives of this new era, machine-to-machine digital integration of manned, unmanned and space assets, and joint command and control. Our concepts of operations

leverage this integration, and expand our asymmetric advantages in air and space -- advantages that are fundamental to defending America's interests, assuring our allies and coalition partners, and winning the Nation's wars.

We recognize the responsibility for America's security is not one we shoulder alone. We work tirelessly toward developing and training professional airmen, transitioning new technologies into warfighting, and integrating the capabilities of our sister services, other government agencies, and those of our friends abroad to act in the most efficient and effective manner across all operations -- from humanitarian to combat missions. At the same time, we pay special attention to the consolidating aerospace industry, our acquisition processes, and our critical modernization challenges, to ensure we will be able to draw upon our core competencies for decades to come.

Blessed with full endorsement from the American people, the Congress, and the President, we will remain the world's dominant Air Force. We are honored to serve with America's airmen, and we sincerely appreciate the confidence in our commitment and capability to provide our great nation with superiority in air and space.

INTRODUCTION

As America approaches the 100th anniversary of powered flight, the Air Force realizes that the nation is only in the adolescence of air and space capabilities. Yet we envision a future that will manifest dramatic advances in propulsion, operational employment, weapons systems, information technology, education, and training for our air and space forces. It is a future of unprecedented, seamless integration of air and space capabilities with joint command and control at the operational level of war, and machine-to-machine integration at the tactical level. We are

pursuing these changes -- some elementary, others revolutionary -- which will dramatically escalate the capabilities available to the joint forces of the United States, perpetuate American air and space dominance, and redefine the nature of warfare.

If there was any ambiguity about the nature of the security environment in this new century, the attacks of September 11, 2001 crystallized the setting. Just as the turmoil of the previous decade eluded prediction, the dynamic setting of the decades ahead poses even greater predictive challenges as centers of power and sources of conflict migrate from traditional origins. No longer will it suffice to prepare for real and perceived threats from nation-states. Instead, America must apply the sum of our operational experiences and experimentation to develop dynamic, flexible, and adaptable forces, capable of dissuading, deterring, and defeating a much wider range of potential adversaries, while still assuring our friends and allies.

This fluid setting underscores the need for doctrinal agility, and expeditious and responsive acquisition, planning, and execution across the spectrum of capabilities in support of homeland security -- from the most difficult anti-access scenario to humanitarian relief. As new generations of technology proliferate among potential adversaries, we also are reminded of the need to keep pushing technology forward. In less than one hundred years, we elevated from a Kitty Hawk biplane flying 100 feet on a 12-second flight, to a host of sophisticated, stealthy aerial vehicles capable of reaching any place in the world, and an array of satellites that circle the globe continuously. We do not rest on these achievements, but instead engage a new generation of innovation. Therefore, our mission is to make calculated research, development, and procurement decisions with the resolve to integrate all of our combat, information, and support systems into an enterprise architecture that contributes joint air and space capabilities to help win the Nation's wars.

Meeting these requirements also warrants our continued transformation into an expeditionary force with the culture, composition, and capabilities to fulfill our evolving operational tasks. As the scope of global contingencies requiring American involvement has multiplied, we have witnessed the substantial value of agility, rapid response, and integration. Thus, we are becoming ever more responsive in time, technology, and training, and in the process, we are elevating Air Force contributions to joint capabilities, while developing our airmen as joint warfighters.

A year ago, Secretary Rumsfeld laid out a number of key priorities for the Department of Defense (DoD). All of these -- from pursuing the global war on terrorism and strengthening joint warfighting capabilities, to streamlining the DoD processes and improving interagency integration -- demand across-the-board changes in the way the Defense Department operates. The Air Force has taken advantage of this opportunity to evaluate and strengthen our capabilities, and to fundamentally drive our investment strategy.

As we contemplate more than a decade of unprecedented success using air and space power, we recognize that we never fight alone. The emerging interdependence of joint, coalition, and alliance partnerships throughout a decade of contingency warfare has been a profound lesson learned. Through cooperative planning, we will realize the full potential of our Service -- bringing to bear fully integrated air and space capabilities.

It is our imperative to approach this planning and integration with innovation and vision, fundamentally focused on capabilities. All of the armed forces are focusing on meeting the Quadrennial Defense Review's "1-4-2-1" force-shaping construct, by defining the fundamental capabilities required to meet the challenges of a changing world. These are: to defend the United States through Homeland Security; to deter aggression and coercion in the four critical regions of

Europe, Northeast Asia, Southwest Asia and the Asian littorals; to swiftly defeat aggression in overlapping major conflicts while being capable of decisive victory in one of those conflicts; and to conduct a number of smaller scale contingencies. A revitalized, capabilities-focused approach to operational military requirements will allow us to meet these missions.

Our focus on capabilities for an uncertain future has inspired us to adapt anew the way we organize, train, and equip our forces. We have begun by developing Task Force Concepts of Operations (TF CONOPS), which will define how we will fight and integrate our air and space capabilities with joint, coalition, and alliance forces. The requirements that emerge from these operational concepts will guide a reformed acquisition process that will include more active, continuous partnerships among requirement, development, operational, test, and industry communities working side-by-side at the program level.

This process can only be successful with the help of a vibrant defense industry. Yet today the aerospace industry is consolidating to a point that threatens to diminish the advantages of competition. This, in turn, can lead to loss of innovation, diminished technical skill base, lower cost efficiencies, and other challenges. We must foster increased competition to ensure the long-term health of an industrial sector critical to our national security. While the Air Force will continue to advance the vision and associated capabilities for air and space, we also must challenge industry in order for it to stay on the cutting edge of technology and efficient management practices.

Finally, transforming our force will not be possible without a process to educate, train, and offer experience to the right mix of Active Duty, Air National Guard, Air Force Reserve, and civilian airmen who understand the nature of our changing security environment. To achieve this, we will evolve what we have traditionally called the "personnel" function in new ways so as to blend Professional Military Education, advanced academic degrees, and assignment policies under the auspices of "Force Development."

This is the United States Air Force in 2003 -- inherently innovative, tirelessly dedicated, and comprised of the very best airmen and capabilities in the world to ensure American security and defend her interests. This is what our nation expects, and we will continually meet that expectation.

WHAT WE DO

The United States armed forces exist to fight and win our Nation's wars, which no service can accomplish alone. The Air Force's pivotal role is to deliver fully capable and integrated air and space power to the Joint Force Commander (JFC). By dominating the media of elevation, the Air Force offers unique warfighting capabilities that leverage the strengths of surface forces and expand the range of potential effects.

Air and space are realms with unlimited horizons for discovery and development. While the Air Force has made tremendous strides in realizing the visions of early airmen and exploiting the operational potential in each medium, we know there is an array of capabilities as yet undiscovered. As the Air Force strives to realize these possibilities, we deliver a multitude of air and space achievements for joint warfighting.

Although relatively short, Air Force history reveals fundamental competencies that are core to developing and delivering air and space power -- those unique institutional qualities that set the Air Force apart from the other services and any other military force in the world. By identifying and keeping these competencies foremost in our vision, we are able to more effectively advance the unique capabilities, as well as the ultimate effects, the Air Force provides to the joint force and the Nation.

The Air Force continually develops areas of expertise that make us the preeminent air and space force in the world. Previously, we distilled these into six distinctive capabilities which we referred to as our "core competencies" -- Air and Space Superiority, Global Attack, Rapid Global Mobility, Precision Engagement, Information Superiority, and Agile Combat Support. However, just as our concepts of operations and capabilities continuously evolve, so also does the way in which we articulate Air Force competencies. With deeper refinement, we learned there are more fundamental elements to what we are as an Air Force and how we develop our capabilities for joint warfighting. These are our underlying institutional air and space core competencies -- those

that, in fact, make the six distinctive capabilities possible: Developing Airmen, Technology-to-Warfighting, and Integrating Operations. These three air and space core competencies form the basis through which we organize, train, and equip and from which we derive our strengths as a service.

1) Developing Airmen *The heart of combat capability*

The ultimate source of air and space combat capability resides in the men and women of the Air Force. The potential of technology, organization, and strategy are diminished without professional airmen to leverage their value. Our Total Force of Active Duty, Guard, Reserve, and civilian personnel are our largest investment and most critical asset. They are airmen, steeped in our expeditionary Service ethos. Therefore, from the moment they step into the Air Force through their last day of service, we are dedicated to ensuring they receive the precise education, training, and professional development necessary to provide a quality edge second to none. The full spectrum capabilities of our Air Force stem from the collective abilities of our personnel; and the abilities of our people stem from career-long development of professional airmen.

2) Technology-to-Warfighting *The tools of combat capability*

The vision of airmen in employing air and space power fundamentally altered how we address conflict. As the leader in military application of air and space technology, the Air Force is committed to innovation and possesses a vision to guide research, development, and fielding of unsurpassed capabilities. Just as the advent of aircraft revolutionized joint warfighting, recent advances in low observable technologies, space-based systems, manipulation of information,

precision, and small, smart weapons offer no less dramatic advantages for combatant commanders. The Air Force nurtures and promotes its ability to translate vision into operational capability in order to produce desired effects. Our innovative operational concepts illuminate the capabilities we need, allowing us to develop unsurpassed capabilities to prevail in conflict and avert technological surprise.

The F/A-22 is demonstrative of this ability to adapt technology to warfighting capabilities. Originally envisioned as an air superiority fighter, it has been transformed into a multi-role system. The F/A-22 not only brings to bear warfighting capabilities without equal for decades to come, but also includes those we did not foresee at its inception. Collectively, the platform's supercruise, stealth, maneuverability, and novel avionics will deliver the ability to create crucial battlefield effects to the hands of the warfighter, and allow access to revolutionary concepts of operations.

3) Integrating Operations *Maximizing combat capabilities*

Effectively integrating the diverse capabilities found in all four services remains pivotal to successful joint warfighting. The Air Force contributes to this enduring objective as each element of air and space power brings unique and essential capabilities to the joint force. Our inherent ability to envision, experiment, and ultimately execute the union of a myriad of platforms and people into a greater, synergistic whole is the key to maximizing these capabilities. In so doing, we are able to focus acquisition and force planning on systems that enable specific, effects-based capabilities, rather than on individual platforms.

Embedded in our exploration of innovative operational concepts is the efficient integration of all military systems -- air, land, maritime, space, and information -- to ensure maximum flexibility in the joint delivery of desired effects across the spectrum of conflict, from war to operations short of war. However, effective integration involves more

than smart technology investment -- it also requires investigation of efficient joint and service organization and innovative operational thinking. Thus, investments in our people to foster intellectual flexibility and critical analysis are equally as important as our technology investments.

Collectively, our air and space core competencies reflect the visions of the earliest airmen and serve to realize the potential of air and space forces. We foster ingenuity and adventure in the development of the world's most professional airmen. We seek to translate new technologies into practical systems while we encourage intellectual innovation at every level of war. And, we drive relentlessly toward integration in order to realize the potential and maturation of air and space capabilities.

Our proficiency in the three institutional air and space core competencies underpins our ability to deliver the Air Force's six distinctive capabilities in joint warfighting. In turn, our capabilities enable desired effects across the spectrum of joint operations through our task forces drawn from our air and space expeditionary forces. The results of this relationship between core competencies, distinctive capabilities, and operational effects are manifest in the array of successful missions the Air Force accomplished in the past year and those we continue to execute.

Expeditionary Construct

Our core competencies reflect a legacy of innovation and adaptation to accomplish our mission. This point is underscored by the fact that, in spite of over a 30 percent reduction in manpower in the past twelve years, we have faced an exponential increase in worldwide taskings. Intensifying operations tempo (OPSTEMPO) requires significant changes in the way our force trains, organizes, and deploys to support JFC requirements. We are a truly expeditionary force -- the nature of our "business" is deployed operations.

The Air Force meets JFC requirements by presenting forces and capabilities through our Air and Space Expeditionary Force (AEF) construct. This divides our combat forces into ten

equivalent AEFs, each possessing air and space warfighting and associated mobility and support capabilities. A key element of our ability to deliver these tailored and ready expeditionary forces is our development of Task Force Concepts of Operations. Our TF CONOPS describe how we fight and how we integrate with our sister services and outside agencies. They are the fundamental blueprints for how we go to war. Combined with our AEF construct -- the principal tool we use to present expeditionary wings, groups, and squadrons -- TF CONOPS will guide our decisions in operational planning, enable us to provide scalable, quick-reacting, tasked-organized units from the ten standing AEFs; and sustain our ability to ensure trained and ready forces are available to satisfy operational plans and contingency requirements.

The AEF construct incorporates a 15-month cycle during which two AEFs are designated as lead for a 90-day "eligibility" period. During this period, the two are either deployed or on alert for daily, worldwide expeditionary taskings, for which they are tailored and presented to the JFC as expeditionary squadrons, groups, and wings (depending on the specific requirement.) Meanwhile, the remaining eight AEFs are in various stages of reconstituting, training, or preparatory spin-up. It is during this preparatory time (approximately two months) that we integrate the training-to-task of AEF squadrons immediately prior to their on-call window.

Yet, it is important to note that while our combat forces cycle through deployment vulnerability periods, they sustain wartime readiness throughout the 15-month training and preparation cycle -- a critical driver of our 90-day eligibility window. Our AEF cycle thus precludes the need for "tiered" readiness by allowing our combat forces to remain current and capable for any contingency or operational plan.

While ensuring necessary capabilities for the JFC, AEF cycles allow us to provide our airmen with a more stable and predictable environment in which to train, re-fit, and equip. In

addition, AEF scheduling makes it easier and more practicable for the Air Reserve Component (ARC) forces -- Air Force Reserve Command (AFRC) and Air National Guard (ANG) -- to bring their essential contributions to bear by allowing them to plan definitive absences from their civilian employment. This is a critical advantage of the AEF construct, as ARC forces comprise nearly half of the forces assigned to AEFs and contribute the majority of forces for some mission areas.

Operations in 2002

Confident in our air and space capabilities, and committed to meeting any mission tasked, the Air Force completed an unprecedented array of operations and exercises in 2002. From the mountain ranges in Afghanistan and the jungles of the Philippines to the deserts of the Middle East, and across every continent and body of water, the Air Force joined with land and naval forces to secure America's national objectives. With each mission, the joint force grows more capable as it applies vision, experimentation, and integration to every undertaking. We do not act as individual services, but in concert as joint warfighters, as we prevail in the war on terrorism and in all undertakings.

Assuring our Nation's citizens, the Air Force conducts a range of alert postures involving more than 200 military aircraft at over 20 airbases for **Operation NOBLE EAGLE (ONE)**. In conjunction with unprecedented NATO airborne warning support and other U.S. assets, we have provided continuous combat air patrols over sensitive/high risk areas, and random patrols over other metropolitan areas and key infrastructure. Last year, we flew over 25,000 ONE fighter, tanker, airlift, and airborne warning sorties, made possible only through the mobilization of over 30,000 reserve component airmen. In fact, the ANG and AFRC have effected over 75 percent of

the total ONE missions. We will continue this critical mission, as we execute our most fundamental responsibility -- homeland defense.

Throughout **Operation ENDURING FREEDOM (OEF)**, the USAF has maintained a continuous, steady-force presence in Afghanistan and the rest of the area of responsibility with more than 14,000 airmen. Air Force assets provide crucial intelligence and situation awareness, combat power, and support capabilities for the combatant commander. A key reason for American military success in the region is the performance of Air Force special operations airmen. Working in teams with other special forces, ground units, and coalition elements, airmen special operators heroically bring to bear the full weight of air and space capabilities -- from the ground. They introduce our adversaries to the full lethality of our airmen, fully integrated on the ground, in the air, and from space.

Fully engaged in all aspects of the war on terrorism, from mobility to close air support, our aircraft and crews flew more than 40,000 OEF sorties in 2002 -- over 70 percent of all coalition sorties. Over 8,000 refueling missions marked the linchpin capability for the joint fight -- the tanker force -- while the magnificent achievements of airlift assets rounded out overwhelming mobility efforts. Simply put, Air Force mobility forces made operations in a distant, land-locked nation possible.

Beyond air operations, we operated and maintained several constellations of earth-orbiting satellites, and in 2002 we launched 18 missions with a 100 percent success rate -- including the first space launches using Evolved Expendable Launch Vehicles. These activities bolstered America's assured access to space and ensured vigorous, global intelligence, surveillance and reconnaissance (ISR), missile warning, precision navigation and timing, communications, and weather systems. In addition, manned, unmanned, and space ISR assets not only delivered

unprecedented battlefield awareness, but with the Predator unmanned aerial vehicle (UAV), also introduced transformational combat capabilities.

ONE and OEF levied particularly heavy demands on our security forces. In CONUS and forward locations, increased alert postures warranted significant increases in security personnel who constitute a critical element of our force protection capabilities. These demands have raised our force protection posture worldwide and have forced us to adjust to a new “steady state” condition. Security forces bear the brunt of the adjustment effort despite a resultant baseline shortfall of approximately 8,000 personnel to meet the alert postures. In the near term, we involuntarily extended for a second year nearly 9,500 ARC security forces. However, in order to relieve these ARC forces, we concluded a two-year agreement with the Army for short-term support, and initiated several ongoing efforts to combine technology, new processes, and some manpower shifts to achieve a long-term adjustment to this new era.

As we adjust, we continue to deliver force protection through the integrated application of counter and antiterrorism operations, and preparedness for chemical, biological, radiological, nuclear, and explosive (CBRNE) incidents. We employ a tailored selection and application of multi-layered active and passive, offensive and defensive measures. Intelligence and counterintelligence programs support this integrated effort and remain critical to our success. In this regard, we continued to develop and employ all-source intelligence systems; cross-functional intelligence analysis procedures; and an operational planning process to implement Force Protection operations that deter, detect, deny, and destroy threats. Our goal is *to see first, understand first, and act first*.

Though engaged in these security enhancements and the global war on terrorism, our combat operations were not limited to OEF in 2002. Iraqi forces fired on coalition aircraft over 400

times during 14,000 sorties supporting **Operations NORTHERN WATCH (ONW)** and **SOUTHERN WATCH (OSW)**. The Air Force maintained a continuous, regional presence of more than 9,000 airmen, while air and space assets provided vital intelligence, situation awareness, and indications and warning to monitor Iraq's compliance with United Nations' directives.

Whether on the ground or in the skies, our airmen also conducted a host of other missions above-and-beyond standing security requirements around the globe. Even though the war on terrorism is our national military focus, airmen joined soldiers, sailors, and marines in the Balkans, South America, Europe, Asia, and around the world to assure our friends and allies, while deterring and dissuading our adversaries.

Worldwide humanitarian and non-combat evacuation operations missions remain other key tasks for Air Force personnel. In 2002, for example, airlift crews exceeded 2.4 million airdropped daily ration deliveries in Afghanistan, evacuated allied personnel at threatened locations around the world, and flew typhoon relief missions to Guam, while our explosive ordnance specialists removed unexploded munitions in Africa. Yet, while conducting unprecedented food, medical, civil engineering, and evacuation relief efforts in warring regions, we were also on call to perform critical, quick-response missions during natural or man-made crises at home. Through explosive ordnance disposal, firefighting, law enforcement support, and rapid medical response expertise, we conducted daily operations in support of local, state, and federal agencies. During the wildfire season, ANG and AFRC C-130s equipped with modular airborne fire fighting systems flew nearly 200 sorties while assisting U.S. Forest Service firefighting efforts in numerous states. In addition, when Hurricane Lili endangered Louisiana,

Air Force aeromedical and critical care forces rolled in with C-9 aircraft to transport and safeguard 40 patients from threatened hospitals.

Training Transformation

Training is a unique American military strength. As potential adversaries work to overcome our technological superiority, it is imperative we enhance this strength through improved proficiency at the tactical level and integration at the joint level. Training is integral to our core competencies and the critical enabler for military capabilities, so we are engaged with the other services, unified commands, and the Office of the Secretary of Defense (OSD) in developing and implementing a training transformation plan. Our objective is to train as we will fight, and increase the joint context of our exercises through live, virtual, distributed, and constructive environments. It is the realism of this training that gives us the edge in combat. This involves not only modernizing the integration of space and information operations on our ranges, but also planning for their sustainment to meet future test and training missions while implementing environmentally sound use and management to ensure long term availability. Additionally, to expand range support for current and emerging missions, we are embarking on a new effort to identify and procure environmental, airspace, and spectrum resources at home and abroad. Balancing competing economic and environmental needs for these resources is a growing challenge we face with our regulatory and community partners. To support this effort, DoD developed the Range and Readiness Preservation Initiative. This legislation recommends clarification to environmental laws that, as currently written and interpreted, can adversely affect resources available to support training activities at ranges.

Joint Chiefs of Staff (JCS) Exercises, Interoperability Training, and Experimentation

We advanced joint and combined interoperability skills with our sister services and those of 104 nations throughout 111 JCS exercises and Joint Task Force (JTF) experimentation, conducted in 40 foreign countries. Exercises ranged from large field training such as BRIGHT STAR, to command post exercises like POSITIVE RESPONSE, to smaller, but equally valuable, humanitarian exercises, as in the school construction, well drilling, and medical clinic visits of NEW HORIZONS - JAMAICA. These activities provided realistic training and enhanced the effectiveness of all participating nations' forces.

Task Force Enduring Look

Success in future operations hinges upon our ability to learn from previous operations and exercises. To ensure we learn from ongoing operations and adapt accordingly, we established Task Force Enduring Look (TFEL). TFEL is responsible for Air Force-wide data collection, exploitation, documentation, and reporting for our efforts in ONE/OEF. The objective for TFEL is clear -- provide superior support to the warfighter, and properly recognize and apply lessons learned *during* rather than only at the conclusion of these operations.

Through extensive investigation and analysis, TFEL examines joint warfighting effectiveness, determines implications, and shapes future Air Force transformation of expeditionary air and space power. The task force documents lessons learned in a variety of products that cover every conceivable subject matter. As derivative campaigns unfold, TFEL will broaden its assessments in follow-on reports. Applying the lessons in these reports and adapting from our past experiences will help ensure we prevail in future operations.

We are able to accomplish the full spectrum of air and space missions and improve our capabilities through lessons learned, by focusing on the best way to organize, train, and equip. Creativity, ingenuity, and innovation are the hallmarks of all that we do, all of which begins with our people.

WHO WE ARE

"No arsenal and no weapon in the arsenals of the world is so formidable as the will and moral courage of free men and women. It is a weapon our adversaries in today's world do not have. It is a weapon that we as Americans do have."

President Ronald Reagan, 20 January 1981

America is blessed with vast resources, and chief among these is her people. In the same way, the Air Force relies on the officers, enlisted, civilians, and contractors that comprise our Total Force -- Active Duty, Guard and Reserve -- for cultural strength and unbridled skill. Air Force strength will never reside in systems alone, but in the airmen operating them. Nor will our capabilities improve solely through technology, but instead through the adaptive insight of our creative and selfless professionals.

Therefore, we recruit and retain a remarkably diverse group to ensure we reach the fullest potential of air and space forces. Their backgrounds reflect the cross-section of American culture -- all races, religions, economic and educational backgrounds, skill and management levels, men and women -- and make this Air Force the tremendous organization it is today. Just as diverse individual citizens find unity in the term *American*, our personnel embrace an identity and fundamental perspective as *Airmen*.

The underlying qualities found in all airmen emanate from our core values -- integrity first, service before self, and excellence in all that we do. Embedded in these core values are the inherent characteristics of our confident, capable airmen -- courage, tenacity, professionalism, vision, pride, and, when faced with seemingly insurmountable obstacles, heroism. Indeed, today's airmen carry on the traditions and visions of the earliest generation of airmen while preparing for the challenges of the future.

The diversity of our airmen energizes the advancement of America's air and space power. Airmen embrace transformational ideas and seek to apply them to every aspect of the Air Force, from organizational constructs to concepts of operations and employment. They are able stewards of the nation's space programs, advancing ideas and technologies for national security, as well as for the environmental and economic benefit of our Nation and the world. And yet, ultimately our standout advantage is our warrior airmen themselves, who demonstrate skills and dedication in combat unsurpassed by any in history. Whether maintaining safe skies across the United Nations' sanctioned no-fly zone in Iraq, hunting down terrorists in the jungles of the Philippines, or paying the ultimate price while rescuing fellow Americans in a battle on an Afghan ridge, our airmen are proven combat veterans. Their selflessness resonates the very best of our Service.

Airmen are expeditionary -- our natural state of operations is not "home station," but rather, deployed. After two successful cycles, our AEF construct has been validated as an effective means of meeting our Nation's expeditionary requirements. Yet we continue to enhance the construct, by initiating significant organizational change to ensure nearly every airman belongs to one of the ten AEFs. The effect has been a change to our airmen's mindset and culture, where an individual's AEF association cultivates an expeditionary perspective and a clearer appreciation for joint warfighting requirements and capabilities.

Force Development – A New Leadership Development Paradigm

In the past, we addressed aspects of career development, education, and assignments individually, but not necessarily in a coordinated, connected approach. Recognizing this, and to prepare for the future more ably, we introduced a systemic, deliberate force development construct that evolves professional airmen into joint force warriors. This construct coordinates doctrine and policies, concentrated to provide the right level, timing, and focus

of education, training, and experience for all airmen, while encompassing personal, team, and institutional leadership skills across tactical, operational, and strategic levels.

In the 21st Century, we need air and space warriors with mastery of their primary skills and others who possess competency beyond their own specialty. However, this diversity must be deliberate to ensure the correct skills are paired according to institutional requirements. Force development encourages many to obtain a deep perspective in their functional area, but at the same time offers the broader perspective we need to complement our leadership team. We begin this transformation with the Active Duty officer corps and will eventually encompass the civilian, enlisted, and Reserve component to better meet the expanding challenges of tomorrow.

Education and Technical Training - Emphasis on Joint Leadership/Warfare

As opportunities resident in advancing technologies unfold, it is imperative that the Air Force be able to draw upon a vibrant collection of educated, technically skilled, and technologically savvy airmen – both uniformed and civilian alike. We are answering this fundamental need in Fiscal Year 2003 (FY03) with aggressive and innovative initiatives to enhance the abilities and breadth of our force. Agile, flexible training is an essential investment in human capital, and our initiatives will ensure our investment delivers the right training to the right people at the right time.

In August 2002, we began our groundbreaking Enlisted-to-Air Force Institute of Technology (AFIT) Program. An initial cadre of senior NCOs began receiving world-class, graduate education to optimize them for greater responsibilities and challenging follow-on assignments. We will also provide a major influx of officers into AFIT, Naval Postgraduate School (NPS), and civilian institutions. In addition, because more than 42 percent of our civilian force will be

eligible for retirement in the next five years, we are committing significant resources to pay for advanced education as well as cross-functional career broadening.

Future military missions and contingencies will require greater sophistication and understanding of the security environment, and our expeditionary force requires airmen with international insight, foreign language proficiency, and cultural understanding. We are working diligently to expand the cadre of professionals with such skill sets and experiences. Our education initiatives will contribute to a major corporate culture shift that fosters appropriate development throughout our airmen's careers to meet evolving force requirements.

Diversity

Foremost among our efforts to enhance the capabilities of our airmen is a passionate drive for diversity. Diversity is a warfighting issue; it is a readiness issue. We must attract people from all segments of American society and tap into the limitless talents and advantages resident in our diverse population if we hope to reach our fullest potential as a fighting force. Nurturing rich representation from all demographics opens the door to creativity and ingenuity, offering an unparalleled competitive edge for air and space development. Today's multi-threat world also mandates that we invigorate in our airmen the ability to effectively think across cultural boundaries and functional paradigms (or stovepipes). We will thus recruit, train, and retain airmen without intellectual boundaries, uniquely capable of integrating people, weapons, ideas, and systems to achieve air and space dominance.

Recruiting

It takes tremendous effort to identify and develop such airmen, yet the return for the nation is immeasurable. Increased advertising, an expanded recruiting force with broader access to secondary school students, and competitive compensation prepare us to meet recruiting goals. Despite the challenge of mustering such a diverse and skilled collection of Americans, we exceeded our FY02 enlisted recruiting goals and expect to surpass FY03 objectives. We will adapt our goals to meet new force objectives; however, the capacity limitations of Basic Military

Training and Technical Training School quotas will continue to challenge Total Force recruiting efforts.

Officer recruitment presents similar challenges, yet we continue to attract America's best and brightest. However, we are particularly concerned with military and civilian scientists and engineers. We fell short of our accession goal for this group and have begun all-out recruitment and retention efforts for these critical specialties. For example, in FY03 we plan to begin a college sponsorship program to attract scientists and engineers from universities lacking ROTC programs. In addition, we continue to find recruiting health care professionals especially difficult, so we are making adjustments to ensure improvement.

We will also closely monitor ARC recruitment. Historically, the ANG and AFRC access close to 25 percent of eligible, separating Active Duty Air Force members (i.e. no break in service.) Continued high OPSTEMPO may negatively impact our efforts in attracting Air National Guardsmen, as well as drawing separating Active Duty airmen to the Air Force Reserve. As a result, recruiting will have to "make up" a substantial portion of accessions from that market by developing alternatives.

Retention

The Air Force is a retention-based force. The critical skill sets we develop in our airmen are not easily replaced, so we expend every effort to retain our people -- the impetus for our "re-recruiting" efforts. Overall retention plans include robust compensation packages that reward service, provide for a suitable standard of living, ensure a high quality of life, and retain the caliber of professionals we need to decisively win America's wars.

For FY02, it was difficult to calculate accurate retention results due to Air Force implementation of Stop Loss. Nonetheless, we continue to reap the benefits of an aggressive retention program, aided by bonuses, targeted pay raises, and quality of life improvements. Introducing the Critical Skills Retention Bonus for select officer specialties reinforces our commitment to target specific

skills suffering significant retention challenges. However, many airmen retained under Stop Loss will separate throughout FY03 -- a fact of particular concern for our rated force.

Bonuses and special pay programs continue to be effective tools in retaining our members. The ANG has placed particular emphasis on aircraft maintenance fields, security forces, and communication and intelligence specialists, among others, by offering enlistment and reenlistment bonuses, Student Loan Repayment Program, and the Montgomery GI Bill Kicker Program. Another example is the flexible Aviation Continuation Pay (ACP) program -- an important part of our multi-faceted plan to retain pilots. In conjunction with our rated recall program, our FY02 plan resulted in a substantial increase in committed personnel. We have a similarly designed ACP program in FY03, and developed extensions to include navigators and air battle managers.

Summary

Regardless of AEF deployment or home station missions, our airmen accomplish their duties with firm commitment and resolute action. It's what we do. It's who we are: a practical, technically sound, ingenious force of uniformed and civilian airmen derived from this richly diverse nation to create the world's premier air and space power.

WHERE WE'RE GOING

The first hundred years of powered flight witnessed tremendous and enduring innovation. We commemorate this centennial during 2003 with the theme, *Born of Dreams, Inspired by Freedom*, which recognizes the remarkable accomplishments of generations of airmen. Today's airmen are equally impassioned to bring dreams to reality as we pursue our vision of tomorrow's Air Force, *Unlimited Horizon*. Through this vision, we build a bridge from today's existing capabilities to those required to win tomorrow's wars.

Ultimately our success will be measured by our ability to provide our forces with assured freedom to attack and freedom from attack. Achieving such victory in tomorrow's battlespace will demand our full integration with fellow services, allies, and coalition partners -- an essential part of the expeditionary construct. Through our security cooperation efforts, we build these international defense relationships and allied capabilities to ensure we have the access, interoperability, and international support for our worldwide commitments. Toward this requirement, we are working with our sister services to develop truly joint concepts of operations that integrate the full spectrum of land, sea, air, space, and information warfighting capabilities. When America places its men and women in uniform into harm's way, we owe them preeminent resources, planning, and organization to achieve victory over any adversary.

Capabilities-Based CONOPS

While adapting to the new strategic environment, our principal focus has been transitioning from a platform-based garrison force to a capabilities-based expeditionary force. No longer platform-centric, we are committed to making warfighting effects, and the capabilities we need to achieve them, the driving force behind our ongoing transformation. From this point

forward, all of our operational, programming, and budget decisions will be supported by a predefined capability.

Our emerging TF CONOPS will help make this essential shift by providing solutions to a variety of problems warfighters can expect to encounter in the future. Whether detailing our plans for operating in an anti-access environment or identifying how to deliver humanitarian rations to refugees, TF CONOPS lend focus on the essential elements required to accomplish the mission. They cover the complete spectrum of warfighting capabilities (deep strike, information, urban, psychological operations, etc.) and enable us to tailor forces (expeditionary wings, groups, or squadrons) from existing AEFs to meet JFC's requirements. Responsibility for CONOPS development falls to the Major Commands, with a senior officer on the HQ USAF Air Staff assigned to each CONOPS to serve as their "Champion," facilitating the process.

TF CONOPS directly support Secretary Rumsfeld's efforts to free scarce resources trapped in bureaucracy and push them to the warfighter. They will also be the focal point for a capabilities-based Program Objective Memorandum (POM). In support of this effort, our Capabilities Review and Risk Assessment analyzes and assesses shortfalls, health, risks, and opportunities, while prioritizing required future capabilities. This helps CONOPS developers articulate any disconnects between required capabilities and developing programs, while providing senior Air Force leadership an operational, capabilities-based focus for acquisition program decision-making. TF CONOPS include:

Global Strike Task Force (GSTF) employs joint power-projection capabilities to engage anti-access and high-value targets, gain access to denied battlespace, and maintain battlespace access for all required joint/coalition follow-on operations.

Global Response Task Force (GRTF) combines intelligence and strike systems to attack fleeting or emergent, high-value, or high-risk targets by surgically applying air and space power in a narrow window of opportunity, anywhere on the globe, within hours.

Homeland Security Task Force (HLSTF) leverages Air Force capabilities with joint and interagency efforts to prevent, protect, and respond to threats against our homeland -- whether within or beyond U.S. territories.

Space and Command, Control, Communications, Computers, Intelligence Surveillance, and Reconnaissance (Space & C4ISR) Task Force harnesses horizontal integration of manned, unmanned, and space systems to provide persistent situation awareness and executable decision-quality information to the JFC.

Global Mobility Task Force (GMTF) provides regional combatant commanders with the planning, command and control (C2), and operations capabilities to enable rapid, timely, and effective projection, employment, and sustainment of US power in support of US global interests -- precision delivery for operational effects .

Nuclear Response Task Force (NRTF) provides the deterrent “umbrella” under which conventional forces operate, and, if deterrence fails, avails a rapid scalable response.

Air and Space Expeditionary CONOPS is the overarching context, which identifies and sequences distinctive capabilities and broad-based functions that air and space power provide the JFC to generate desired effects for national military objectives.

The Air Force is transforming around these Task Force Concepts of Operations. In addition to serving as a roadmap for operators, the TF construct will form the basis for resource

allocation, future system acquisitions, and POM submissions in order to find capabilities-based solutions to warfighter problems.

Science and Technology (S&T) – Wellspring of Air and Space Capabilities

Reaching these warfighter solutions rests in large measure with research and development. Through robust investment and deliberate focus in science and technology, the Air Force invigorates our core competency of technology-to-warfighting. Combined with innovative vision, S&T opens the direct route towards transforming air and space capabilities. Therefore we continue long-term, stable investment in S&T to ensure we realize future capabilities, as well as those that may immediately affect existing systems.

We are improving our S&T planning and collaboration with other services and agencies to ensure: we: 1) encourage an operational pull that conveys to the S&T community a clear vision of the capabilities we need for the future; 2) address the full spectrum of future needs in a balanced and well-thought out manner; and 3) enhance our ability to demonstrate and integrate promising technologies. Some of these new technologies -- UAV systems, laser-based communications, space-based radar, and others -- show clear promise for near-term, joint warfighting applications. Others present opportunities we can only begin to imagine. We are exploring each of these technologies, and our investment will deliver the required capabilities of our CONOPS.

Executive Agent for Space

Embedded in all of our TF CONOPS, and indeed within most military operations, is an extensive reliance on systems resident in space. The Air Force proudly fulfills the role of Department of Defense Executive Agent for Space with confidence and enthusiasm. Our ability to execute this

tremendous responsibility stems from a natural outflow of our core competencies and distinctive capabilities. Accordingly, and in conjunction with the other services and agencies, we are shaping a new and comprehensive approach to national security space management and organization.

Our capstone objective is to realize the enormous potential in the high ground of space, and to employ the full spectrum of space-based capabilities to enable joint warfighting and to protect our national security. The key to achieving this end is wholesale integration: through air, land, space, and sea; across legacy and future systems; among existing and evolving concepts of operations; and between organizations across all sectors of government. We will continue to deliver unity of vision, effort, and execution to fulfill our mission of delivering the most advanced space capabilities for America.

Drawing Effects from Space

Our horizon is truly unlimited, extending beyond the atmospheric environs of airpower to the reaches of outer space. Our proud Air Force tradition of airpower is joined by an equally proud and continually developing tradition of space power.

In the early days of the space age, only those at the strategic level received and exploited the benefits of space capabilities. The current state of affairs, however, is decidedly different. The former distinctions between classified and unclassified programs among military, civil, and commercial applications are growing increasingly blurred -- in some cases, they are virtually seamless. In short, space capabilities now are woven deeply into the fabric of modern society, and they have altered forever the way we fight wars, defend our homeland, and live our lives.

It is in this context and this understanding of the widespread and increasing importance of space systems that we strive to meet present and future national security challenges by providing dominant space capabilities that will:

- **Exploit Space for Joint Warfighting:** Space capabilities are integral to modern warfighting forces, providing critical surveillance and reconnaissance information, especially over areas of high risk or denied access for airborne platforms. They provide weather and other earth-observation data, global communications, precision navigation and guidance to troops on the ground, ships at sea, aircraft in flight, and weapons en route to targets. All of these capabilities, and more, make possible the tremendous success our joint warfighters achieve during combat operations.

We will enhance these existing capabilities and, where it makes sense, pursue new ones such as the Transformational Communications System (TCS), which will strive to dramatically increase bandwidth and access for warfighters; and Space Based Radar, which will complement the airborne Joint Surveillance Target and Attack Radar System (JSTARS) while migrating Ground Moving Target Indicators (GMTI) into space. We will also develop methods and technologies to enhance our nation's ability to conduct rapid and accurate global strike operations anywhere in pursuit of US interests.

- **Pursue Assured Access to Space:** We cannot effectively exploit space for joint warfighting if we do not have responsive, reliable, and assured access to space. In August 2002, the new Evolved Expendable Launch Vehicle got off to a strong start with the successful launch of Lockheed Martin's Atlas V booster. Boeing's Delta IV program added to the Nation's quiver of modern launch vehicles with liftoff in November 2002. We will also pursue

advanced and highly versatile reusable launchers and small expendables with extremely short response times to achieve long-term assured access, while taking the necessary steps to maintain and improve our space launch infrastructure.

- **Preserve our Freedom to Act in Space:** We must be able to act freely in space, or risk losing those capabilities essential to joint warfighting. We initiated efforts to increase our space situation awareness, beginning with the new Space Situation Awareness Integration Office at Air Force Space Command, and a similar program at the Space and Missile Systems Center. Future efforts are planned to develop strategy, doctrine, and programs to improve the protection of our own space capabilities while denying the benefits of joint space capabilities to our adversaries.

As it is with all Air Force capabilities, the most important resource for national space capabilities is neither technological nor fiscal -- it is human. Our Space Professional Strategy fulfills a Space Commission recommendation to develop space professionals and nurture a cadre to lead our national security space endeavors at all levels in the decades ahead. These space-expert airmen will be the core stewards of space operations, and shoulder the responsibility for aggressively advancing joint warfighting capabilities into the high ground frontier.

Horizontal Integration of Manned, Unmanned, and Space Assets

The essence of transformation is found in leveraging the nation's technological dominance to create maximum asymmetrical advantage. Airmen seek unrestricted boundaries when looking at war planning from a theater-wide perspective, or talking about national elements of power. Simply stated, it is in the way we think -- we must take advantage of it.

Our foremost objective is to develop the capability to conduct rapid and precise operations to achieve desired effects and shape the battlespace for the joint force. This requires interfacing numerous DoD and national assets -- the seamless, horizontal integration of manned, unmanned, and space-based systems. An essential element is designing systems that use digital-level, machine-to-machine conversations to expedite data flow and ensure the JFC receives timely, decision-quality information. Such integration will dramatically shorten the find, fix, track, target, engage, and assess (F2T2EA) cycle. In the end, we know that neither JFC's guiding operations, nor special operators putting iron on targets, care what source provides the target data. It is an effect they seek, and what we will provide.

Key to the warfighter's success is **Predictive Battlespace Awareness (PBA)**. PBA requires in-depth study of an adversary well before hostilities begin. Ultimately we want to be able to anticipate his actions to the maximum extent possible. PBA-derived insights allow us to utilize critical ISR assets for confirmation rather than pure discovery once hostilities begin. We are then able to analyze information to assess current conditions, exploit emerging opportunities, anticipate future actions, and act with a degree of speed and certainty unmatched by our adversaries.

Along this path, we are transitioning from collecting data through a myriad of independent systems (Rivet Joint, AWACS, JSTARS, space-based assets, etc) to a Multi-sensor Command and Control Constellation (MC2C) capable of providing the JFC with real-time, enhanced battlespace awareness. Today, this transition is restricted by the necessity to rely on Low Density/High Demand (LD/HD) C4ISR assets. The limitation inherent in LD/HD platforms forces us to shift their exploitation capabilities between theaters to cover emerging global threats and events. This sub-optimizes overall battlespace awareness and limits our

efforts at predictive analysis. In the interim, responsive space-based ISR assets will help mitigate our over-stressed LD/HD systems. Yet ultimately, we need a synergistic combination of military and commercial assets, advanced data processing capabilities, and assured reachback to achieve true battlespace awareness.

In the future, a single wide-body platform employing tunable antennas and sensors -- Multi-sensor Command and Control Aircraft (MC2A) -- will replace many of the C4ISR functions of today's specialized, but independent assets. Air, ground, and space assets will comprise the MC2C, which will elevate Joint Forces Air Component Commanders' ability to command and control air assets. Additionally, every platform will be a sensor on the integrated network. Regardless of mission function (C2, ISR, shooters, tankers, etc), any data collected by a sensor will be passed to all network recipients. This requires networking all air, space, ground, and sea-based ISR systems, command and control (C2) nodes, and strike platforms, to achieve shared battlespace awareness and a synergy to maximize our ability to achieve the JFC's desired effects.

Uniting joint and coalition information presents the most difficult challenge in providing one common operational picture for key decision makers. We are working closely with our sister services to eliminate the seams between existing systems and taking the necessary steps to ensure all future acquisitions are planned and funded to meet the interoperability requirements of future joint CONOPS.

A critical element of successful information merging is communications, as bandwidth is finite and requires careful management. Long-range or penetrating systems must communicate beyond the horizon despite adversaries' attempts to exploit or interrupt these links. To counter disruption, all systems must be reliable, secure, and bandwidth-efficient. The PBA construct

facilitates this objective by eliminating constrictive, stove-piped communications systems while emphasizing networked operations.

We will realize the vision of horizontal integration in our TF CONOPS. GSTF, for example, will deliver the right-sized mix of assets with appropriate sensors capable of penetrating into enemy airspace. Such sensors may be low observable and/or expendable, mounted on either ISR platforms or imbedded into strike platforms. Sensors may consist of special operations forces, inserted before the commencement of hostilities, who communicate with attack platforms during combat via secure electronic writing tablets, annotating targets and threats on the imagery display with a stylus. As technology progresses, and where it makes sense, a significant portion of ISR functionality will likely migrate to space, affording 24/7 persistence and penetration. Likewise, advanced defensive counterspace capabilities will afford these systems protection from enemy actions.

Combining manned, unmanned, and space-based assets with dynamic C2 and PBA transforms disparate collection and analysis activities into a coherent process, allowing the warfighter to make timely, confident, and capable combat decisions. This is what the Air Force brings to the joint fight. It is what air and space warriors are all about. We unlock the intellectual potential of airmen who think across the dimensions of mediums and systems capabilities, for the joint warfighter.

Addressing the Recapitalization Challenges

Despite new CONOPS and visions for future capabilities, we cannot rely on intellectual flexibility to eradicate the challenge of old systems and technologies. Though creativity may temporarily reduce the negative impacts of aging systems on our operational options, ultimately there are impassable limits created by air and space system hardware issues.

We have made tremendous strides in modernizing and improving maintenance plans for our aircraft; however, the tyranny of age has introduced new problems for old aircraft. Reality dictates that if we completely enhance the avionics and add new engines to 40-year old tankers

and bombers, they are still 40-year old aircraft, and subject to fleet-threatening problems such as corrosion and structural failure.

This is equally true for our fighter aircraft, where once cutting-edge F-117s now average over 15-years of age, and mainstay air-dominance F-15Cs are averaging nearly 20-years of service. With double-digit surface-to-air missile systems, next-generation aircraft, and advanced cruise missile threats proliferating, merely maintaining our aging fighter and attack aircraft will be insufficient. In fact, the dramatic advances offered in many of our TF CONOPs cannot be realized without the addition of the unique capabilities incorporated in the F/A-22. Simply stated, our legacy systems cannot ensure air dominance in future engagements -- the fundamental element for joint force access and operations. We will thus continue executive oversight of F/A-22 acquisition in order to ensure program success. While keeping our funding promises, we will procure the only system in this decade that puts munitions on targets, and which is unequally capable of detecting and intercepting aircraft and cruise missiles.

Although ultimately solving these recapitalization challenges requires acquisition of new systems, we will continue to find innovative means to keep current systems operationally effective in the near term. We know that just as new problems develop with old systems, so too do new opportunities for employment, such as our employment of B-1s and B-52s in a close air support role during OEF. We will also pursue new options for these long-range strike assets in a standoff attack role for future operations.

Unlike with the aforementioned air-breathing assets, we cannot make service life extensions or other modifications to our orbiting space systems. Satellites must be replaced regularly to account for hardware failures, upgrade their capabilities, and avoid significant coverage gaps. Additionally, we must improve outmoded ground control stations, enhance protective measures,

continue to address new space launch avenues, and address bandwidth limitations in order to continue leveraging space capabilities for the joint warfighter. We are exploring alternatives for assuring access to space, and a key aspect of this effort will be invigorating the space industrial base.

Finally, it is imperative that we address the growing deficiencies in our infrastructure. Any improvements we may secure for our air and space systems will be limited without a commensurate address of essential support systems. Deteriorated roofs, waterlines, electrical networks, and airfields are just some of the infrastructure elements warranting immediate attention. Our ability to generate air and space capabilities preeminently rests with the ingenuity of visionary ideas, yet intellectual versatility must be supported by viable systems and structures to realize our Service potential.

Organizational Adaptations

Commensurate with our drive to enhance air and space capabilities is our identification and development of organizational structures to aid these advances. In 2002, we initiated numerous adaptations to more efficiently and effectively exploit Air Force advantages for the joint warfighter.

Warfighting Integration Deputate

Comprehensive integration of the Air Force's extensive C4ISR systems is paramount for our future capabilities. This requires an enterprise approach of total information-cycle activities including people, processes, and technology. To achieve this, we created a new Deputy Chief of Staff for Warfighting Integration (AF/XI), which brings together the operational experience and

the technical expertise of diverse elements (C4ISR, systems integration, modeling and simulation, and enterprise architecture specialties.)

This new directorate will close the seams in the F2T2EA kill chain by guiding the integration of manned, unmanned, and space C4ISR systems. AF/XI's leadership, policy, and resource prioritization will capitalize on the technologies, concepts of operations, and organizational changes necessary to achieve horizontal integration and interoperability.

Success has been immediate. AF/XI worked with the Deputy Chief of Staff for Air and Space Operations to champion increased Air Operations Center weapon system funding in the FY04 POM, which accelerated the stabilization and standardization of the weapon system. Subsequently, the base-lined weapon system now has a modernization plan, which is both viable and affordable. AF/XI also led analysis that highlighted imbalances among collection and exploitation capabilities. As a result, we plan to accelerate ground processing and exploitation capabilities within the Future Years Defense Program to close the gap. Major contributions in management of the complex information environment will continue, as AF/XI makes better use of scarce resources, allowing the Air Force to provide the joint warfighter the capabilities to dominate the battlespace.

Chief Information Officer (AF/CIO)

Partnered with AF/XI, the AF/CIO shares responsibility to spearhead the transformation to an information-driven, network-centric Air Force. These two organizations orchestrate the integration within our information enterprise, and establish processes and standards to accelerate funding and ensure priorities match our integrated information vision.

The AF/CIO's specific mission is to promote the most effective and efficient application, acquisition, and management of information technology resources under an enterprise architecture. The goal is to provide the roadmap for innovation and to function as a blueprint for the overall leverage of valuable information technology. Enterprise architecture will use models and processes to capture the complex interrelationships between the Air Force's systems and platforms. A resultant example is basing Information Technology (IT) investment decisions on

sound business cases, approved Air Force standards, and, ultimately, how a particular technology contributes to specific capabilities. Additionally, we are institutionalizing enterprise architecting as a key construct in defining mission information requirements and promoting interoperability.

Currently, the wide variety of IT standards limits C2 processes and information and decision support to our warfighters. The AF/CIO – AF/XI team is tackling this and all other integration challenges as they develop an enterprise architecture that spans the entire Air Force, while also staying in harmony with other services' efforts.

Blended Wing

We do nothing in today's Air Force without Guard, Reserve and civilian personnel working alongside Active Duty airmen. A fundamental initiative of Air Force transformation is formalizing this integration under the Future Total Force (FTF). As part of the FTF, we are pursuing innovative organizational constructs and personnel policies to meld the components into a single, more homogenous force. FTF integration will create efficiencies, cut costs, ensure stability, retain invaluable human capital, and, above all, increase our combat capabilities.

A key effort is to "blend," where sensible, units from two or more components into a single wing with a single commander. This level of integration is unprecedented in any of the services, where Active Duty, Guard, and Reserve personnel share the same facilities and equipment, and together, execute the same mission. In essence, blending provides two resource pools within a single wing -- one, a highly experienced, semi-permanent Reserve component workforce, offering stability and continuity; the other, a force of primarily Active Duty personnel able to rotate to other locations as needs dictate.

The first blended wing opportunity arose with the consolidation of the B1-B fleet. The move left behind an experienced but underutilized pool of Guard personnel at Robins AFB, GA.

Meanwhile, the collocated 93rd Air Control Wing (ACW) (Active Duty E-8 Joint STARS), suffered from high tempo and low retention. Hence, Secretary Roche directed that the two units

merge, and on 1 October 2002, the blended wing concept became a reality with the activation of the 116th ACW.

The 116th ACW tackled many pioneering challenges: from legal questions surrounding the command of combined Active-Reserve component units, to programmatic issues with funding the program from two separate accounts, to integrating different personnel systems used by each component. Airmen from both components are working through these issues successfully, making the 116th an example for future FTF blending. Yet, some additional Title 10 and Title 32 provisions still need to be changed to make the FTF a reality. Meanwhile, parallel efforts, such as placing Reserve pilots and maintenance personnel directly into Active Duty flying organizations under the Fighter Associate Program, add to this leveraging of highly experienced Reservists to promote a more stable, experienced workforce.

As organizational constructs, blending and associate programs lay an important foundation for a capabilities-based, expeditionary air and space force, which are inherently flexible and ideal to meet rotational AEF requirements. In a resource-constrained environment, blending promotes efficiencies and synergies by leveraging each component's comparative strengths, freeing funds for modernization while sustaining combat effectiveness, and effecting warfighting capabilities greater than the sum of its parts.

Combat Wing

The comprehensive evaluations in our ongoing transformation include examining our wing structure. Given all of the lessons gleaned from expeditionary operations over the past decades, we asked, "Could we derive advantages in revised wing organization for both force development and combat capability?" The answer was "Yes," and we enacted changes to create the Combat Wing Organization (CWO).

The central aspect of the CWO is the new Mission Support Group. This will merge former support and logistics readiness groups, and contracting and aerial port squadrons, as applicable. Within this group, we will hone expeditionary skills from crisis action planning, personnel

readiness, and working with the joint system for load planning and deployment, to communications. contingency bed down, and force protection. Currently, all of these aspects exist in skill sets that none of our officers have in total. But the new expeditionary support discipline will address this, and provide our officers the expertise in all aspects of commanding expeditionary operations. With this reorganization, each wing will now have one individual responsible for the full range of deployment and employment tasks -- the Mission Support Group Commander.

The restructuring will retain the Operations Group; however, group commanders will become more active in the operational level of war. Squadron commanders will be role models for operators in the wings, ready to lead the first exercise and combat missions. Similarly, we will establish a maintenance group responsible for base-level weapons system maintenance and sortie production rates. Like their operator counterparts, maintenance squadron and group commanders will be role models for all wing maintainers. Meanwhile, medical groups will retain their current organization, although we are working changes to home and deployed medical operations for future implementation.

Flying and fixing our weapons systems, as well as mission support, are essential skill sets. Each requires the highest expertise, proficiency and leadership. The new wing organization allows commanders to fully develop within specific functional areas to plan and execute air and space power as part of expeditionary units, while also giving maintenance and support personnel focused career progression. This re-organization does not fix something that is broken -- it makes a great structure exceptional.

Acquisition and Business Transformation

To achieve our vision of an agile, flexible, responsive, and capabilities-based air and space force, we must transform the processes that provide combatant commanders with air and space capabilities. An example of this in action is the Air Force's efforts to carry out the responsibilities of DoD Space Milestone Decision Authority (MDA). The Secretary of the Air Force delegated those responsibilities to the Under Secretary of the Air Force, under whose leadership immediate benefit was realized. Adapting an effective process already in use at the National Reconnaissance Office (NRO), the Under Secretary instituted a new streamlined space acquisition program review and milestone decision-making process. This new process was used for the first time in August 2002 in developing a contract for the National Polar-orbiting Operational Environmental Satellite System. This effort creates an opportunity for the Air Force to apply performance and cost accountability to defense industrial firms through their chief financial officers and board of directors by linking executive compensation to contract performance.

In addition to the major process changes for DoD space, the Air Force's Business Transformation Task Force directs and integrates further process improvement and adaptation. Core business and operations support processes -- such as acquisition, logistics, maintenance, training, medical and dental, among others -- are crucial, as they ultimately determine our overall enterprise *effectiveness* and directly sustain combat capabilities. An additional category of processes called "enablers" completes the Air Force enterprise. Examples of "enablers" include management of human resources, finances, contracts, property plant and equipment, and information. The enablers are important as they facilitate our core capabilities and determine the overall *efficiency* of our enterprise.

The Air Force will enact business transformation from an integrated enterprise perspective, examining every process and associated link. Accordingly, we will employ industry best practices and identify management metrics to improve process efficiency without degrading our enterprise effectiveness; expand our customer's self-service management capability and free up needed resources for the operational communities; and provide real-time, accurate financial data for better decision making. Already, acquisition reform has effected notable improvements, including:

- 1) Streamlined our acquisition and contracting regulations, replacing lengthy prescriptive sets of rules with brief documents that emphasize speed, innovation, sensible risk management, and elimination of time-consuming process steps that have little value. As previously mentioned, our new National Security Space acquisition process is an example of progress in this area.
- 2) Created a Program Executive Office for Services to bring new efficiency to the growing area of services contracts. This key area, which accounts for nearly half of our procurement budget, had no prior centralized coordination and oversight.
- 3) Developed and initiated System Metric and Reporting Tool (SMART), putting real-time program status information on everyone's desktop. This web-based application pulls data from dozens of legacy reporting systems to give everyone from program managers up to senior leadership direct visibility into the "health" of hundreds of acquisition and modernization programs. When fully deployed in FY03, it will automate the tedious and laborious process of creating Monthly Acquisition Reports and possibly Defense Acquisition Executive Summary reporting to OSD.

4) Empowered “High Powered Teams” of requirements and acquisition professionals to create spiral development plans to deliver initial capability to warfighters more quickly, and add capability increments in future spirals.

5) Designed a Reformed Supply Support Program to improve the spares acquisition process by integrating the support contractor into the government supply system. Contractors now have the same capability as government inventory control points to manage parts, respond to base level requisitions, track spares levels, and monitor asset movement.

6) Continued, with OSD support, expansion of the Reduction in Total Ownership Cost (R-TOC) program, to identify critical cost drivers, fund investments to address them, and generate cost savings and cost avoidance. We also created standard processes and a business case analysis model to use for initiatives within R-TOC. In FY03, OSD allocated \$24.9M no-offset investments to R-TOC that will return \$53.2M through FY08. A planned \$37.1M investment across the FYDP will save a projected \$331M in operations and maintenance through FY09.

These initiatives are only the beginning of a comprehensive and aggressive approach to reforming business practices. Our efforts today will have a direct effect on efficient and effective air and space capability acquisition, both immediately and in the future.

Ensuring Readiness

Integrating systems and expanding business practices will not only have dramatic effects on air and space capabilities, but also reduce readiness challenges. However, we still face daunting, but surmountable, obstacles. We must overcome a multitude of installations and logistical issues to secure flexible and timely execution of expeditionary requirements for joint warfighting.

Reconstituting and reconfiguring our expeditionary basing systems and wartime stocks is a critical element of our force projection planning. While we made significant strides in funding,

we require additional investments in bare base systems, vehicles, spares, munitions, and pre-positioning assets. Our infrastructure investment strategy focuses on three simultaneous steps. First, we must dispose of excess facilities. Second, we must fully sustain our facilities and systems so they remain combat effective throughout their expected life. Third, we must establish a steady investment program to restore and modernize our facilities and systems, while advancing our ability to protect our people and resources from the growing threat of terrorism at current, planned, and future operating locations -- at home or abroad.

We are making progress. Improved vehicle fleet funding allowed us to replace some aging vehicles with more reliable assets, including alternative fuel versions to help meet federal fuel reduction mandates. Targeted efficiencies in spares management and new fuels mobility support equipment will improve supply readiness. In addition, our spares campaign restructured Readiness Spares Packages and repositioned assets to contingency sites. Moreover, to increase munitions readiness, we expanded our Afloat Prepositioning Fleet capabilities, and continue acquiring a broad mix of effects-based munitions in line with the requirements of all TF CONOPS.

Finally, our "Depot Maintenance Strategy and Master Plan" calls for major transformation in financial and infrastructure capitalization to ensure Air Force hardware is safe and ready to operate across the threat spectrum. To support this plan, we increased funding in FY04 for depot facilities and equipment modernization. We also began a significant push to require weapon systems managers to establish their product support and depot maintenance programs early in the acquisition cycle and to plan and program the necessary investment dollars required for capacity and capability. Additionally, we are partnering with private industry to

adopt technologies to meet capability requirements. The results from these efforts will be enhanced, more agile warfighter support through the critical enabler of infrastructure.

Expanding AEF Personnel

The attacks of 9/11 significantly increased workload and stress in a number of mission areas for our expeditionary forces. Manning for these operations is drawn from our existing AEF packages. In order to accommodate increased contingency requirements we are exploring options to augment the existing AEF construct. Recent and ongoing efforts to maximize the identification of deployable forces and align them with AEF cycle, assisted in meeting immediate critical warfighting requirements. However, some career fields remain seriously stressed by the war on terrorism. Accordingly, our efforts focus on changing processes that drive requirements not tuned to our AEF rhythm. We developed formulas to measure, and gathered quantitative data to evaluate, the relative stress amongst career fields to redirect resources to the most critical areas. We also began a critical review of blue-suit utilization, to ensure uniform airmen are used only where absolutely necessary, and maximize the use of the civilian and contract workforce for best service contribution and military essentiality.

We are refocusing uniformed manpower allocation on our distinctive capabilities to reduce the stress on our active force. Additionally, we are carefully considering technologies to relieve the increased workload. These efforts exist within our longer-term work to reengineer, transform, and streamline Air Force operations and organizations, and have allowed us already to realign some new recruits into our most stressed career fields.

Summary

As the two mediums with the most undeveloped potential, air and space represent the largest growth areas for national security and the greatest frontiers for joint warfighting. As such, air and space operations will play an ever-increasing role in the security of America and her allies. The Air Force will exploit technology, innovative concepts of operations, organizational change, and our ability to embrace creative ideas and new ways of thinking. We will bring to bear the full suite of air and space capabilities for tomorrow's joint force commander -- drawing from every resource, integrating closely with all services, and overcoming any obstacle to succeed.

NEXT HORIZON

The events of the last year have emphasized the dynamics of a new international security era. The decade of new states following the Cold War has been followed by the rise of non-state actors, many following a path of aggression and destruction. Yet, just as America adapted to new global dynamics in the past, we will again confront emerging challenges with confidence and faith in our ability to meet the demands of assuring freedom.

The Air Force remains dedicated to drawing on its innovation, ingenuity, and resolve to develop far-reaching capabilities. The ability to deliver effects across the spectrum of national security requirements is the cornerstone of the vision and strategy of Air Force planning and programming. In conjunction, and increasingly in integration with ground, naval, marine, and other national agency systems, the Air Force will play a central role in elevating joint operations. We recognize the greatest potential for dominant American military capabilities lies in the integration of our air and space systems with those of other services and agencies, and our success in this objective will be evident in every mission to deter, dissuade, or decisively defeat any adversary.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

FEBRUARY 27, 2003

QUESTIONS SUBMITTED BY MR. HUNTER

The CHAIRMAN. How many military and civilian Department of Defense employees are working in acquisition roles for the F-22 fighter?

Secretary ROCHE. There are currently 66 military and 115 civilians performing acquisition roles at the F/A-22 System Program Office.

The CHAIRMAN. Has the 35 been produced in Russia in some numbers?

General JUMPER. No. Only a dozen Su-35 (also known as Su-27M in Russia) were produced between the late 80s and mid-90s. The aircraft is still offered for export, which, if sold, would generate new production.

The CHAIRMAN. What I am trying to ascertain is whether there is a one Russian industrial base producing fighter aircraft today. How many?

Secretary ROCHE. There are two bureaus that make-up the Russian fighter production base. They are Sukhoi and MiG. Sukhoi has four production facilities with two producing fighter aircraft. MiG has one fighter production facility.

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. One of the reasons the Air Force has such an old fleet on average is that the B-52 fleet is 40 years old. Does the Air Force still plan to operate B-52s until they are 80 years old? If not, where is the plan for carrying out the bomber mission in the future?

General JUMPER. The Air Force plans to operate the B-52 until 2037 when the next long-range strike capability is fielded. The Long Range Strike Platform Study, currently underway at the Air Force Research Lab (AFRL), will determine the technologies to pursue in order to begin an acquisition program in the 2012-2015 time-frame.

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Mr. SKELTON. A major Air Force program is the Space Based Radar (SBR), which will offer near-global coverage. Is it true that the SBR is designed only to detect targets on the ground or very close to the earth? Why isn't such a valuable asset integrated into the missile defense program, which needs exactly that sort of radar?

General JUMPER. SBR is designed to provide near continuous, day/night, all-weather surveillance of moving and fixed surface targets. Space provides a unique, non-intrusive vantage point from which to perform moving target indicator (MTI) surveillance, synthetic aperture radar (SAR) imagery collection and High Resolution Terrain Information (HRTI) data for territory frequently inaccessible to other ISR assets. In conjunction with other ISR assets, SBR promises to aid decision makers across the spectrum of conflict and through the full spectrum of operations as a warfighter tool.

The current requirements for the SBR MTI and SAR imaging missions support the needs of the Missile Defense Agency (MDA). SBR would be capable of tracking mobile missiles and their launchers as they traverse the earth's surface prior to launch. With its baseline SAR capability, SBR can image these missiles and launchers.

The problem in tracking other than surface targets has more to do with agility and radar cross section than location. In order to consistently track airborne targets or missiles in flight, SBR would require roughly 10 times more power and 10 times antenna size than currently planned. The technology to accomplish this increase will not be available for the first block of SBR. However, SBR has a baseline ability to apply new methods of processing the raw data that may be able to assess any inherent missile tracking capability within the currently planned system. The Program Office has ongoing technical interchange meetings with Missile Defense Agency (MDA) on this topic to discuss potential applicability of this data for the MDA mission.

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Mr. SKELTON. One change from when you were here last year looks small. It is one letter. But it has a large meaning. Why did the F-22 become the F/A22? What does that designation mean in terms of additional capabilities? How about additional cost? If a tactical aircraft is your Day One strike force, what is the role of long-range bombers.

General JUMPER. The Air Force re-designated the F-22 Raptor the F/A-22 to reflect its transformation from an air superiority fighter into an Air Dominance, multi-role aircraft capable of precision engagement, in a high threat, anti-access environment. The mission of the F/A-22 has not changed as a result of this redesignation, but rather as a result of the evolution of the aircraft. The Raptor was designed with inherent air-to-ground capabilities. The new designation doesn't add capabilities, it emphasizes the original functionalities within a revised set of Concepts of Operations. The F/A-22 has evolved into an Air Dominance aircraft capable of "kicking down the door" versus the next 2 generations of SAMs and enemy fighters. These battlespace effects will be delivered as part of the baseline program and do not incur any additional program costs. The F/A-22 will enable the entire joint and coalition force by countering these Day One threats and providing force protection for our long-range bomber force through air dominance. Further, the Raptor will bring stealth into the daylight where we can leverage the investments in our B-2 and F-117 fleet and allow employment, for the first time, without regard for time or condition.

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Mr. SKELTON. It's been suggested that some DOD programs be exempted from operational testing in order to accelerate their deployment. Does the Air Force propose to exempt any of its programs? Is operational testing useful to you?

General JUMPER. The Air Force does not propose any Air Force program to be exempt from operational testing in order to accelerate its deployment. There are currently no programs that are exempt from operational testing.

Operational testing is useful. Title 10 mandates that Operational Test and Evaluation be conducted "under realistic combat conditions . . . for the purpose of determining the effectiveness and suitability" of systems. The goal of Operational Test and Evaluation is to accurately characterize the combat capability of a system under test using typical military users under operationally realistic scenarios in the battlespace environment. Operational testing characterizes combat capability by presenting a balanced picture of how the system performs along with vital information concerning operational impacts, limitations, and risks. Operational testing provides decision makers with extremely important key information to help them in acquisition decisions.

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Mr. SKELTON. Are Air Force personnel operating Predators and other unmanned vehicles required to be officer grade? Why?

General JUMPER. Yes, only Air Force officers, rated as pilots, and navigators that possess an FAA Commercial and Instrument rating, are allowed to operate UAVs. This determination was made by CSAF in December 1996, and reconfirmed during CORONA South 1998, due to possibility/necessity that UAVs would be used to employ weapons. Under international law, only lawful combatants may lawfully operate weapons delivery systems. Thus, in reading the CSAF policy together with international law requirements, weaponized UAVs may only be operated by rated officers. Also, as UAVs are considered aircraft, command decisions by pilots are an integral part of maneuvering and employing an aircraft in controlled and uncontrolled airspace. FAA does not require a UAV operator to be a pilot when operating in uncontrolled airspace; however, when operating a UAV in controlled airspace, a pilot is required by FAA regulations. It is an advantage for the Air Force to require officers, rated as pilots, or navigators with a FAA Commercial and Instrument rating, to operate UAVs in order to employ UAVs worldwide, in controlled and uncontrolled airspace, while also being capable of utilizing the UAV as a deliverer of deadly force.

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Mr. SKELTON. Does the Navy's decision to reduce its buy of F-35s increase the cost of the Air Force's proposed fleet?

General JUMPER. The Department of Navy TACAIR Integration Study reduced the total number of JSF Carrier Variant (CV) and Short Take-Off Vertical Landing (STOVL) aircraft from 1089 to 680. As a result of this quantity reduction, the JSF Conventional Take-Off and Landing (CTOL) Unit Recurring Flyaway (URF) estimate increased from \$37.2M to \$38.1M (BY\$02) for 1763 CTOL aircraft. While the Department of Navy has not finalized the planned specific mix of CV and STOVL variants, the mix has a negligible impact (+/- \$100k) on CTOL URF over a wide range of potential mixes. International sales may offset the Department of Navy's procurement quantity reduction.

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Mr. SKELTON. Why would the Air Force propose to lease tanker aircraft that they have to give back at the end of the lease when for a percent or two more, you could own them forever?

General JUMPER. CM Skelton, Congress did not give the Air Force authority to purchase the tankers. The legislation authorized the Air Force to negotiate an operating lease requiring return of the aircraft at the end of the lease period. We have complied with this direction. In anticipation of possible future congressional authorization, however, the Air Force has also negotiated a purchase clause within the tanker lease, which allows Congress to approve our purchasing these aircraft at any time. This clause binds the contractor to a fixed, prenegotiated price and can only be triggered by future congressional action.

The Air Force continues to work with OSD, OMB and Boeing to refine the cost estimates for the lease and for the purchase of the KC-767 to guarantee the best use of our tax dollars. Our analysis indicates that beginning the tanker recapitalization through the proposed lease will field 100 new tankers 5 years sooner than we can afford with a traditional purchase profile as currently programmed.

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Mr. SKELTON. Every year, we receive a separate budget request and unfunded priority list from the Air Force reserve components. If you are one integrated fighting force, why do we receive two budgets? How are the reserve component priorities coordinated with the regular Air Force?

General JUMPER. The Reserve Components are full partners in the Total Force. From a resource perspective, the Air Force supports Reserve Components requirements as part of an integrated programming and budget process. In fact, in our FY04 Budget, you will find that the Department has taken a further step towards this integration by combining the Military Personnel Appropriation requests of the Active and Reserve Components.

Our Unfunded Priority List (UPL), submitted to the Congress on 21 February 2003, is a total force list of our highest priority unfunded requirements. Reserve Components requirements are vetted through the corporate process just as those of other Air Force activities. This list integrates our Major Command and Reserve Components unfunded requirements.

Finally, in an effort to address Reserve Component readiness issues, the Congress historically has provided support through the National Guard and Reserve Equipment Appropriation (NGREA). Items identified on Reserve Component NGREAs are valid Air Force requirements—some may duplicate items found on our UPL. However, some items may be unique to the NGREAs list—these specifically address improving Reserve Component readiness consistent with the goals of the NGREAs.

Secretary ROCHE. The Reserve Components are no longer a force in reserve but are full partners in the Total Force. From a resource perspective, the Air Force supports Reserve Components requirements as part of an integrated programming and budget process. In fact, in our FY04 Budget, you will find that the Department has taken a further step towards this integration by combining the Military Personnel Appropriation requests of the Active and Reserve Components.

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Mr. SKELTON. The Chief of Naval Operations was here yesterday, and told us that the Navy is retiring a large number of older ships and aircraft. Does the Air Force plan significant retirements? What platforms, and about how many? How will those missions be carried out, or will some operational requirements just not be met?

General JUMPER. Listed below are the USAF force structure divestitures for FY04 and the plans to maintain operational capability:

Weapon System	Reduction	Follow-on Capability	% Capability Reduced
C-5	-8	C-17	0%
C-141	-40	C-17	0%
C-130	-7	None	N/A
KC-135E	-44	B-767/KC-X	4-5%
C-9	-20	Organic Airlift	0%
Peacekeeper	-17	None	34%
F-15	-5	F/A-22	0%
T-37B	-51	T-6	0%

Rationale:

C-5/C-141: Strategic airlift capability is defined as the aggregate capability of contributing weapon systems. The current Mobility requirement is defined as 54.5 Million Ton Miles per Day (MTM/D). The contributing weapon systems in this category are the C-5, C-141 and C-17. The specific contributions of the C-141 and C-5 are reduced as a result of the FY04 divestitures. Conversely, the overall capability of the strategic airlift aggregate is increased by 2% when C-17 additions are considered. Future capability continues to increase as more C-17s are added and the C-5 contribution is increased through Avionics Modernization Plan (AMP) and Reliability Enhancement and Re-Engineering Program (RERP) modifications.

C-130: The C-130 modernization roadmap consists of upgrading a portion of the existing C-130 fleet with an avionics modernization program, procuring new C-130J aircraft, and reducing the overall size of the C-130 fleet. The Institute for Defense Analysis (IDA) Intra-theater Airlift Analysis study of 2000, with an adjustment to account for the Homeland Defense requirement, concluded that the C-130 force structure exceeds requirements and could be reduced by 56 tails without a corresponding loss to the required operational capability. The C-130 56 REDUX plan will be implemented from FY04-07 as an integral part of the fleet's modernization plan.

KC-135E: The Tanker Requirements Study 2005 (TRS 05) defined tanker requirements in terms of airframes based on various contingency scenarios. The AF Studies and Analysis Agency (AFSAA) used TRS-05 and determined an average capability loss for the 61 KC-135E retirements over the FYDP (13% of the tanker fleet) as only 4-5% until they are replaced by KC767/KC-X. This is an average of the possible employment scenarios. Increasing costs and decreasing reliability and maintainability, have reached the point where it no longer makes sense to continue investing limited resources to keep our oldest and least capable tankers flying.

C-9: New concept of operations deletes requirement for dedicated Aeromedical Evacuation platform. A combination of organic airlift, contract airlift, and pre-positioned patient support equipment will provide the same level of support.

Peacekeeper (PK): Weapon system retirement per Nuclear Posture Review direction. No significant impact to war fighter (USSTRATCOM) mission. Safer and more reliable weapons from PK will transition to a portion of the Minute Man III force to preserve this capability thru 2020. 34% reduction in Peacekeeper weapon system—no reduced capability in 500 Minuteman III ICBMs. The United States' land-based strategic nuclear deterrent capability is not reduced.

F-15: The retirement of the F-15s will be in response to the procurement of F/A-22s. As the F/A-22 bed down occurs, the active duty F-15C/Ds will flow to the ANG to replace their older F-15A/Bs. During the F/A-22 and F-15 transition, the bed downs will be matched with AEF schedules to minimize risk. The F/A-22 and

F-15C/D force mix optimally balances capability, affordability, and force structure. We have accepted a moderate amount of risk to pay for the modernization of the fleet.

T-37B: This is a scheduled reduction. The T-37B will be replaced by T-6 aircraft and although it is not a 1:1 exchange, the training capability will be maintained due to the T-6 offering a longer sortie duration and greater fuel efficiency. The goal of training approximately 1,100 AD pilots/year will be met.

QUESTIONS SUBMITTED BY MR. SMITH

Mr. SMITH. In fiscal year 2003, this Committee authorized \$31 million for the Air Force to begin equipping the C-130 fleet with a Fourth Generation, commercial off-the-shelf Terrain Awareness & Warning System (TAWS), in order to meet the 1977 Air Force directive that all passengers and troop carrying aircraft be equipped with a TAWS by fiscal year 2001. Since the C-130 AMP program does not schedule such installation until the 2008-2016 timeframe, in the interest of mission effectiveness and safety it is essential that this equipment be procured and installed as soon as possible. Four Department of Defense C-130 aircraft were lost in combat and training missions during 2002. The C-130 will certainly be called upon in Iraq and other potential areas of conflict, just as it proved to be indispensable in Operation Enduring Freedom in Afghanistan. Installing TAWS immediately will greatly enhance survivability during night low-level operations and Special Operations Forces missions, as well as preventing CFIT, or Controlled Flight Into Terrain.

The fiscal year 2003 Defense Appropriations bill provided only \$2.5 million of the \$31 million that was authorized. Can you tell me whether the Air Force is working on a near-term implementation for TAWS and whether the funding will be directed to begin equipping C-130s with TAWS in FY03, and how much funding would be necessary to make significant progress in fiscal year 2004?

General JUMPER. The Secretary of the Air Force submitted a "Report to the Congressional Defense Committees on Terrain Awareness & Warning System (TAWS) and the Traffic Alert and Collision Avoidance Systems (TCAS) for C-130 Aircraft", dated 21 January 2003. In that report, we explained that the Fourth Generation Ground Proximity Warning System (GPWS) requirement is included in the C-130 Avionics Modernization Program (AMP), a Major Defense Acquisition Program on contract with Boeing. The target date for the 1997 mandate for Fourth Generation Ground Proximity Warning System (GPWS) is 2005. This mandate contains an exception for aircraft that have Third Generation GPWS installed, provided there is a plan to migrate to Fourth Generation GPWS. The C-130 qualifies for this exception.

Additionally, TAWS is one contractor's Fourth Generation GPWS, but is not the only technology that meets the requirement. The C-130 AMP also meets the Fourth Generation GPWS requirement. It uses Terrain Profile Matching (TERPROM) technology; the same used in the C-17. In light of this, the Air Force does not recommend allocating additional funds for C-130 TAWS. The Air Force recommended to the Defense Committees that the \$2.5M appropriated for C-130 TAWS be allocated for Enhanced Traffic Alert and Collision Avoidance System (ETCAS), a C-130 modification program, to allow ETCAS to meet the 2005 mandate.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. The Tri-Service Joint Gulf Range Complex Strategic Plan addresses the requirement to modernize range instrumentation and threat simulation to provide a networked, integrated, common operating picture throughout the range and eventually link all DOD ranges. Is the Joint Gulf Range Upgrade program fully funded? Please comment on your schedule and program to upgrade the Joint Gulf Range.

General JUMPER. The Joint Gulf Range Complex Strategic Plan is a fiscally unconstrained Gulf Range vision. The plan has three main goals. Meet future needs of all users of the complex, establish a joint consortium to guide future planning and development, and keep the local entities involved to maintain a regional perspective. Near term priorities are funded to meet Gulf Range user needs. The President's Budget reflects the vision of the Joint Gulf Range Complex Strategic Plan. The Air Force invested \$15.2M in FY03 and \$19.0M in FY04 to improve Eglin AFB and the Gulf Range.

Secretary ROCHE. The Joint Gulf Range Complex Strategic Plan is a fiscally unconstrained Gulf Range vision. The plan has three main goals. Meet future needs of all users of the complex, establish a joint consortium to guide future planning and

development, and keep the local entities involved to maintain a regional perspective. Near term priorities are funded to meet Gulf Range user needs. The President's Budget reflects the vision of the Joint Gulf Range Complex Strategic Plan. The Air Force invested \$15.2M in FY03 and \$19.0M in FY04 to improve Eglin AFB and the Gulf Range.

Mr. MILLER. I understand that in my district, Air Force efforts are underway to enhance AC-130 aircraft and remotely piloted aircraft by developing a non-cooperative target identification capability using Vibro-Electronic Signature Target Analysis (VESTA). Please comment on the progress of your efforts to develop the VESTA technology and its operational application.

General JUMPER. Currently, VESTA technology is being investigated by the United States Special Operations Command (USSOCOM)/Air Force Special Operations Command (AFSOC) for utility on-board the AC-130U gunship for AFSOC close air support missions. VESTA has the potential to enhance the gunship targeting radar's ability to identify potential threat systems and distinguish them from friendly assets. A radar interface box (RIB) prototype unit is being developed to allow for an Operational Utility Evaluation (OUE) of the VESTA system on-board an AC-130U aircraft. The RIB unit is scheduled for completion in August 2003 followed by an OUE in November 2003. Once this proof-of-concept phase has been completed, the plan is to retrofit existing AC-130U gunships with the VESTA system. VESTA technology can be added by upgrading the AC-130U Battle Management System computer software using existing computer assets. A field-ready RIB device will also be needed to retrofit each aircraft. VESTA technology can be used to enhance any coherent radar system or sensor, which means VESTA can also be used to enhance Unmanned Aerial Vehicle (UAV) radar sensors for target identification.

The UAV Battlelab (UAVB) UAV Automatic Target Cueing initiative demonstrated the technical effectiveness of an automatic target cueing tool for UAV Synthetic Aperture Radar to correctly identify moving or idling objects of interest. This will enhance the UAV's operational capability to detect, identify, tag, and track idling or moving military targets. VESTA algorithms showed a clear capability to detect moving targets, and a strong potential for identifying targets with a reasonable degree of accuracy and a favorable false alarm rate. The UAVB is investigating opportunities to further examine and develop this technology, but is not currently funding additional demonstration efforts.

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Mr. MILLER. To facilitate engaging time critical targets, SOCOM is evaluating commercial technologies to correlate and display sensor data from disparate systems, in real time, while airborne. SOCOM is exploring an airborne visual computing network to enhance situational awareness, improve targeting and survivability, and reduce fratricide. Please comment on Air Force programs focused on fielding off-the-shelf technologies to enhance aircrew situational awareness and engage time critical targets

General JUMPER. The Air Force uses commercial-off-the-shelf hardware and software to run customized applications as much as possible. The Air Force has several complementary programs focused on fielding off-the-shelf technologies to enhance aircrew situational awareness and engage time-critical targets. Efforts with specific applicability to Air Force Special Operations Command include:

a. The Common Situational Awareness Advanced Technology Demonstration, which uses commercial off-the-shelf and government-off-the-shelf hardware and software to host customized software applications to enhance MC-130 and AC-130 situational awareness and engage time-critical targets. This effort installs and integrates the Common Situational Awareness Data Link onto Air Force Special Operations Command aircraft, providing friendly and enemy force location information, target assignment, and clearance to engage from the Air Operations Center.

b. The Battlefield Air Operations (BAO) Kit, which is used by Special Tactics Combat Controllers behind enemy lines to identify and locate targets, and to transmit that data to the Air Operations Center for target approval and relay to the strike aircraft. This effort integrates off-the-shelf equipment into combat controllers' kits to allow for the automatic acquisition of target data and the digital transmission of that data quickly and with minimum opportunity for lethal errors. Portions of this effort include evaluating the use of off-the-shelf laptops, wireless networks, image compression algorithms, and small camera-equipped unmanned aerial vehicles (UAVs) to enhance both ground and aircrew situational awareness and engage time-critical targets. For example, the University of Florida is researching micro-UAV technology through an initiative with the Air Force to quickly field low-cost, enhanced capabilities for our combat controllers. These micro-UAVs will allow our forces to operate covertly on the battlefield to navigate, sense, map, reconnoiter, and ultimately attack targets from behind enemy lines.

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QUESTIONS SUBMITTED BY MR. BRADLEY

Mr. BRADLEY. It is my understanding that the Air Force has decided to terminate the B-1B Defense System Upgrade Program (DSUP) program and focus its resources on enhancing the B-1B's stand off capabilities. This plan is based on investments in the JASSM-ER weapon, upgrades to the existing EW system, and fixing various other B-1B problems (fuel leaks, wing and tail problems etc.). This new plan is estimated to cost approximately \$600 million. Is this an accurate assessment of the Air Force's plan for the B-1B?

General JUMPER. The Air Force terminated the Defensive Systems Upgrade Program (DSUP) in Dec 02 because it could no longer sacrifice capability in pursuit of a post-2010 defensive system plagued by escalating schedule and cost growth. The resulting \$635M savings were reinvested in the following areas: upgrading the existing B-1 defensive system (\$224M); increasing the funding for B-1 sustaining engi-

neering (\$163M); and, developing and fielding an extended range version of the Joint Air-to-Surface Standoff Missile (JASSM-ER) (\$248M). JASSM-ER's increased standoff capability will allow the B-1 to provide a viable Global Strike CONOPS role—kicking down the door and paving the way for follow-on joint forces in anti-access environments—in addition to its current role as a medium threat penetrating bomber.

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Mr. BRADLEY. If the Air Force has terminated the DSUP program, has the service pulled out of the Joint (Integrated Defensive Electronic Countermeasures) IDECM program?

General JUMPER. The Air Force has not pulled out of the IDECM program and will continue to meet its commitments to the program. Since the termination of DSUP, the USAF's commitment to the program is to upgrade the F-15 Tactical Electronic Warfare System (TEWS) and to accept a Navy developed decoy. The Air Force participates/cost shares in this Navy-led effort. The Air Force supports joint development of the fiber optic towed decoy (FOTD).

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Mr. BRADLEY. If not, it is my understanding that the Air Force will still be obligated to meet its commitments in completing IDECM EMD and entry into OPEVAL. What funds has the Air Force included in its fiscal year 2004 budget request for this funding commitment?

General JUMPER. The Air Force has not pulled out of the current IDECM program. Since the termination of B-1B DSUP, the Air Force remains committed to upgrading the F-15 self-protection suite against advanced threats. The Air Force EMD program includes an upgrade to the F-15 Tactical Electronic Warfare System (TEWS) and the integration of the Navy developed fiber optic towed decoy (IDECM). The Air Force participates/cost shares in this Navy-led, joint effort. The Air Force has requested a total of \$42.1M in FY04 for F-15 self-protection, which includes \$2.7M for the Air Force cost share of the Navy developed decoy.

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QUESTIONS SUBMITTED BY MR. MEEHAN

Mr. MEEHAN. The Sensor Fused Weapon program is key to the Air Force's weapons program. The budget provides for \$117 million for its procurement for fiscal year 2004. This amount is less than last year's budget request, and I am wondering, is that enough to ensure that this program will be up to the task when called upon? And also can you detail to the committee the utility of the sensor fused weapon?

General JUMPER. The Air Force request of \$117.8M in FY04 is lower than the appropriated budget of \$126.0M in FY03. The AF FY03 budget request included \$106.0M for Sensor Fused Weapons (SFW) and Congress moved \$20.0M from the Joint Standoff Weapon budget to the SFW program. With the additional funding in FY03, the Air Force negotiated with Textron a long-term pricing agreement covering FY03, FY04, and FY05, which allows the Air Force to purchase more weapons than planned. The Air Force will buy 350 units in FY03 and expects to buy approxi-

mately 321 weapons with the FY04 budget, keeping procurement above the minimum sustaining level of 300 weapons.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—U.S.-RUSSIAN COOPERATIVE THREAT REDUCTION AND NONPROLIFERATION PROGRAMS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Tuesday, March 4, 2003.

The committee met, pursuant to call, at 2:01 p.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order.

Today, the committee will receive testimony on the Department of Defense (DOD) U.S. Cooperative Threat Reduction (CTR) and Department of Energy (DOE) Nuclear Non-Proliferation programs. These programs combined comprise about \$1.75 billion of the national defense budget being requested by the President for fiscal year 2004.

To help us understand the various issues surrounding this program, we will hear this afternoon from two panels of witnesses. Our first witnesses are the Honorable J.D. Crouch, Assistant Secretary of Defense for International Security Policy; Ambassador Linton Brooks, Acting Administrator, National Nuclear Security Administration; Honorable Paula DeSutter, Assistant Secretary of State, Bureau of Verification and Compliance. And we welcome all of you today and look forward to your testimony.

Our second panel of witnesses will then address implementation and execution issues with these programs. This second panel will be comprised of Dr. Davis Steensma, Deputy Assistant Inspector General (IG), Department of Defense; Mr. Joseph Christoff, director of International Affairs and Trade Team of the General Accounting Office (GAO).

In 1991, following the dramatic end of the former Soviet empire, the world, and the United States in particular, faced an unprecedented historical opportunity to directly reduce the threats posed by the vast arsenal of strategic weapons the Soviet Union left behind.

Using imagination and persuasion, a key group of members of Congress gave birth to a series of initiatives designed to capitalize on this opportunity. By engaging the emerging former Soviet states with a novel bargain, we entered into new strategic partnerships designed to reduce this dangerous arsenal of strategic weapons by diverting U.S. defense dollars for this purpose.

Looking just at the DOD Cooperative Threat Reduction, or CTR, program, now 12 years and \$7 billion later, it is without dispute that this program has accomplished a great deal to live up to its objectives. However, it also clear that, as is the case eventually with most government programs, the CTR program has strayed from its original purpose at the same time that deeply disturbing instances of mismanagement and negligence are emerging.

The purpose of this hearing today is to review the state of these programs by examining how they have evolved from an initial focus on the short-term, high-priority elimination of former Soviet-era strategic nuclear systems, to today's constantly expanding scope, which includes all manner of weapons of mass destruction (WMD)-related activities, sometimes only tangentially related to the original purpose or to the principle of reducing direct military threats to the United States.

We shall also review how it is that the DOD CTR program bankrolled two hugely expensive building projects in Russia, the famous two white elephants, that have led to almost \$200 million of U.S. defense money being wasted without achieving an ounce of threat reduction as intended.

Finally, we will examine the \$1.75 billion budget request for fiscal year 2004, which calls for an overall increase of 24 percent over the previous fiscal year, while at the same time reducing the funds proposed for the elimination of former Soviet nuclear strategic systems.

These questions and others deserve the careful attention of this committee and this Congress. If we are to continue to support diverting billions of dollars from the U.S. defense budget for these activities, we must ensure that the investment can be directly traced to an actual tangible reduction in military threats. This is the context which we must use to evaluate this program, as we have an obligation to ensure that the original "novel bargain" of 1991 still passes muster today.

And I would now recognize the committee's ranking Democrat, my colleague from Missouri, Mr. Skelton, for any remarks he might want to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 561.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much for this opportunity, and I would like also to welcome our witnesses, my fellow Missourian, Secretary Crouch, Ambassador Brooks, Secretary DeSutter, and thank you for being with us today.

September the 11th drove home what we have known for more than a decade, that the horrors of terrorism would become unthinkable if terrorists were to acquire weapons of mass destruction. Now, preventing such a situation requires a comprehensive strategy and sustained commitment.

At a time when the Administration is considering armed action to keep Iraq from developing nuclear weapons and when we are worried about North Korea's potential capability to produce half a

dozen by June, programs to protect and destroy the tens of thousands of weapons of mass destruction already in Russia are critical.

The news is filled with debates about the cost of the war in Iraq, and most estimates range in between \$60 billion and \$95 billion. But for approximately \$1 billion the Department of Defense and Energy and State have racked up a real success story in diminishing the threat that terrorists will get weapons of mass destruction. These programs are crucial and I applaud the Administration for supporting them.

In doing so, I fully recognize that the programs are difficult to administer. We are dealing with a very cumbersome and very bureaucratic government that is not disposed toward openness. There are conspicuous examples where these projects have failed or where they have been abused, and I support understanding the reasons why there have been difficulties, doing what we can to prevent future problems and ensuring that the American taxpayer dollars are wisely invested.

I also think we can do more. There is still a great deal of proliferation risk. We should be thinking about how to eliminate this risk in additional ways. Could we make more of a difference with more money or more authority? A continuous program does not mean that we will not continue to expect more from our partners in the former Soviet Union.

They must contribute to the security of their weapons and help ensure that our country is given access to the sites and materials it needs to execute these programs, and we must always keep in mind that these programs serve American national interests. Efforts to improve Russian compliance must not undermine the benefits we gain from continuing these efforts.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 567.]

THE CHAIRMAN. I thank the gentleman, and I know that Mr. Weldon also had a request to have an opening statement. We will reserve that for his time when he gets back.

Gentlemen and ladies, thank you for your appearance today, and I think it is clear that this committee has in the past several years full funded the President's request. We see, however, some remarkable examples of government waste; that is, waste of American taxpayer dollars, one, where we built this massive facility at Krasnoyarsk, \$100 million of U.S. taxpayer dollars to neutralize heptyl, the rocket fuel that was to be used in ballistic missiles. And we discovered after we poured \$100 million into this construction—and I think that is an actual photo over here on this side of the wall—we were informed by the Russians that there was no fuel to be neutralized, that it had all been devoted to their space program. That sent us reeling, to put it mildly.

We then discovered that at Votkinsk, where the neutralization of solid fuel for rocket motors was the focus and we had put in some \$84 million, or in excess of \$84 million, for the planning and site development of that facility, we discovered after all that money had been invested that the community of Votkinsk had never given the proper local permitting for that particular plant, and therefore that money was wasted.

These are remarkable stories of massive waste of American taxpayer dollars, and for all of us who are very concerned about the need to continue to dismantle strategic systems and to neutralize poison gas, I think we are all troubled when we think of the amount of dismantlement that could have taken place with those hundreds of millions of dollars had they not been wasted.

And I think we are all troubled also to realize that we have so little accountability within the DOD managers of those sites and their former Soviet Union counterparts that they engage with, that you could actually construct a massive project and get to the point where you cut the ribbon and at that point be told by the nation that there is not a single drop of fuel to be neutralized, and then you are then relegated to having your scrap dealers show up at a site like Krasnoyarsk, make a survey and tell you in the end that of that \$100 million of taxpayer investment, roughly \$1.2 million, according to the scrap dealers, can be realized.

So while we are going to continue to work aggressively with this administration to make sure that we dismantle weapons of the former Soviet Union, that we are also going to work aggressively to see to it that there is an ongoing accounting so that blunders like this do not occur again.

So having given you those warm words of welcome, Mr. Crouch, you are recognized and the floor is yours, sir. Thank you for being with us today.

Secretary CROUCH. Thank you very much, Mr. Chairman. I have a longer prepared statement, Mr. Chairman, I would like to submit for the record.

The CHAIRMAN. Without objection, we will take it into the record.

STATEMENT OF HON. J.D. CROUCH, II, ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY POLICY

Secretary CROUCH. Mr. Chairman, members of the committee, I indeed appreciate the opportunity to discuss DOD's Cooperative Threat Reduction Program and the Administration's approach to it.

Before I do that, let me say, Mr. Chairman, at the outset, I read your remarks and your essay in today's Washington Post, and I think that they accurately captured what I would call the intense frustration that we feel about the heptyl and the Votkinsk situations.

Your characterization of the situation with respect to heptyl and Krasnoyarsk is on the mark. I want to emphasize that no decisions have been made regarding the future of the solid rocket motor disposition project, which would have been built at Votkinsk, and this may well turn out to be a project that Russia has to deal with on its own.

However, the U.S., I think, does have a continuing interest in speeding the destruction of Russia's mobile intercontinental ballistic missiles (ICBMs), and that interest remains, and we will work with this committee, we will work with the other committee in the Senate to, I think, try to realize that. We are also analyzing options for this project and others, including walking away from it, and we, of course, will advise Congress as we move forward on that.

The CTR program is a product of congressional action, the Soviet Nuclear Threat Reduction Act of 1991, which directed the Depart-

ment to assist the states of the former Soviet Union in dismantling, destroying, consolidating and securing Soviet-era weapons of mass destruction and their means of delivery.

As we think about how to change CTR to meet changing security challenges, we have to look back carefully over the record of accomplishment; but that accomplishment also had some hard lessons.

This committee has been instrumental in helping DOD focus CTR on projects with the greatest potential benefit to U.S. security. The oversight role you have played has also helped to ensure that our CTR investments have been effective and used for their intended purposes with these notable exceptions. Your involvement has also helped us convince recipients of CTR assistance that they need to abide by their commitments, and I know that you will continue to help us do so.

There are at least two key factors that have not changed since the first days of CTR implementation. First, Russia continues to hold the single largest stock of weapons of mass destruction in the world, representing a significant potential proliferation risk to the United States, its friends and allies.

And, two, the states of the former Soviet Union, while willing to eliminate some of these—or secure some of these weapons of mass destruction materials, are not able or not willing to do all of it on their own. And that raises a fundamental question of whether we help them or not and whether it is in our interest to help them or not.

However, there are several factors that we have to consider in planning for CTR's future as well as some of the hard lessons we have learned. For example, the proliferation of weapons of mass destruction to terrorist organizations is now as much of a threat as the proliferation of WMD to rogue states. The porous borders in the former Soviet Union offer the potential for illicit transit of WMD and related materials to terrorist organizations and their sponsors.

The September 2002 National Security Strategy and the December 2002 National Strategy to Combat Weapons of Mass Destruction highlighted the significant role that nonproliferation and threat reduction programs play in preventing rogue states and terrorists from acquiring WMD and related materials, technology and expertise.

While we would like to trust our CTR partners and we try to build trust with our CTR partners, we know that every assumption, expectation and schedule for a project needs to be verified and verified repeatedly. I think that, in a way, is the biggest and hardest lesson we have had to learn over the last decade. There was an enormous enthusiasm and a sense of urgency, early on after 1992 to get this job done and get the job done quickly. We now need to continue that enthusiasm, continue that sense of urgency, but do so in a way that we can verify completely.

We have learned that with respect to Russia in particular there are difficult challenges to providing assistance that is designed first and foremost to serve the United States national security interests.

Mr. Chairman, as you described in your article, the year since I last testified to Congress on CTR has been a difficult one for the program. At this time last year, Russia had just told us that a facility built with approximately \$106 million in CTR assistance will

have no use. The missile fuel it was intended to neutralize had been diverted to the Russian commercial space program. The waste in U.S. tax dollars represented by the so-called heptyl situation was inexcusable.

This was a major wake-up call for us. We impressed on the Russian government at all levels the gravity of the situation that their negligence had created. But more importantly, we looked inward at how the program has been managed and found ways we think to better protect CTR investments as we move forward.

We instituted a program of semi-annual executive reviews with Russia to revalidate project plans, assumptions and schedules on a regular basis. We asked the DOD Inspector General to review the heptyl situation and how CTR is organized, more broadly. The first phase of the IG's report was completed in September 2002, and we have worked closely with the IG on this. The IG even participated in our most recent executive review meeting with Russian officials.

We have also analyzed all CTR projects for their reliance on any good faith Russian promises or assumptions. We are converting such undertakings to formal, legal agreements. At least two of these four agreements we hope to sign by the end of this month. In a related step, we pressed the Russian Ministry of Defense to guarantee access to loosely guarded nuclear weapon storage sites where CTR would like to assist with security and inventory control systems. The access agreements for these sites were recently approved as a prerequisite for CTR assistance.

The changes are not the end of our internal oversight review. We will continue to work with the Inspector General's office and will expand our review to the non-Russian states of the former Soviet Union.

CTR's important work with strategic and other Soviet legacy systems is not complete, and we need the program to be on a firm management footing as we move forward. But we have also found other ways where CTR can be a part of an effective overall DOD response to new security challenges.

We believe that CTR can make a valuable contribution to the Global War on Terrorism. We have taken the expertise developed from WMD dismantlement in the former Soviet Union and are turning it toward some of the most important threats that President Bush has outlined in the fight against terrorism.

For example, we are expanding the Biological Weapons Proliferation Prevention Program and focusing on the most proliferable types of chemical weapons. In addition, we are leveraging CTR's experience to address the porous borders in the states of the former Central Asia and the Caucasus, a potentially significant trafficking area for weapons of mass destruction.

We are also looking beyond Russia and the Soviet legacy. The Administration is proposing legislation that would give the President authority to use up to \$50 million annually in CTR funds outside the former Soviet Union to resolve critical proliferation threats or to take advantage of opportunities to achieve long-standing non-proliferation goals. Let me state here, we are not asking for additional money, we are simply asking for authority to use in the event that a circumstance arises where it might be beneficial to

stop some kind of proliferation to use up to that \$50 million portion in a flexible way.

This proposal recognizes that the world has changed since CTR began and that the program should change with it to best protect U.S. interests. We contemplate using this authority only where DOD has a sizable presence or in close coordination with other departments to maximize the expertise U.S. agencies can bring to bear against a proliferation threat.

Mr. Chairman, since its inception, the CTR has assisted with a number of important threat reduction achievements. Your article cited the large number of Russian land and submarine launch nuclear missiles, strategic bombers and submarines the CTR program has helped to eliminate. The administration is also acutely aware of the difficulties encountered by this program.

The reality is that this program, which we undertake for our own national security purposes, comes with costs that we must bear if we continue to take advantage of this approach to threat reduction. Indeed, the heptyl and Votkinsk projects, which went awry, were intended to help draw down some of these same types of strategic nuclear weapons on which there is a consensus about assisting Russia to eliminate.

This Administration believes that it is worth the cost to pursue these projects, though we will not be naive in the way we pursue them. And I think that one of the benefits of this hearing, one of the benefits of the oversight of this committee is that we can all be in favor of this program; we can all want to advance the objectives of this program, but there are different ways to do that. There are different approaches to how you eliminate those capabilities, and we look forward to working with you on that.

As we urge your continued support we pledge our efforts to ensure that additional nonproliferation achievements within as well as outside the former Soviet Union are won through responsible stewardship of U.S. resources. Thank you, Mr. Chairman.

[The prepared statement of Secretary Crouch can be found in the Appendix on page 570.]

The CHAIRMAN. Mr. Secretary, thank you.

Ambassador Brooks, the floor is yours, sir.

STATEMENT OF AMBASSADOR LINTON BROOKS, ACTING ADMINISTRATOR, NATIONAL NUCLEAR SECURITY ADMINISTRATION

Ambassador BROOKS. Thank you, Mr. Chairman. Thank you for the opportunity to appear before you today. Like my colleague, I have a prepared statement which I would like to submit for the record.

The CHAIRMAN. Without objection, it will be entered.

Ambassador BROOKS. And like my colleague, I would like to say how much both the Department of Energy and the National Nuclear Security Administration and I personally appreciate the support this committee has given our nonproliferation programs over the years.

Our progress on these programs, which I believe to be good, is benefiting immensely from the improved relationship with the Russian Federation that the President has forged with his counterpart

and from the strong relationship that Secretary of Energy Abraham has forged with his counterpart. And that is helping us to overcome the bureaucratic obstacles which are endemic in dealing with the Russian Federation. So I feel confident about the progress we are making, but there is a great deal more to do.

It has become even more apparent over the last 18 months that weapons of mass destruction could have unimaginable consequences if they fell into the wrong hands, and that is why we are working to ensure that the largest stockpile of weapons-usable materials and of weapons in the world is secured, that production of weapons-usable materials is eliminated and that existing material is disposed of.

First, we are working to improve under-secured nuclear weapons-usable material, by which I mean primarily highly enriched uranium and plutonium, in Russia. There is about 600 metric tons of such material, thousands of warheads. We are doing the material; we divide the responsibility for the warheads with our colleagues in the Defense Department.

We expect to complete our security upgrades for materials by 2008, about two years earlier than we expected two years ago. And we have accelerated our work with the Russian navy and expect to complete the upgrades to Russian navy facilities for warheads by 2006.

We are also working with the Russian Customs Service to install radiation detection equipment in order to prevent nuclear smuggling. We will have about 20 additional sites done by the end of this year. We are looking at increasing that to a total of 78 in about the next 2 years.

We have also started to look at vulnerable radioactive material, material that would not be suitable for causing a nuclear explosion, but would be suitable for a so-called "dirty bomb". We are working to help secure the sources that have abandoned in Russia and in other former Soviet Union states. We are doing this in conjunction with the Ministry of Atomic Energy in Russia and with the International Atomic Energy Agency.

Securing materials has always been our top goal, but we are also trying to focus on securing knowledge. The Russian Transition Initiative addresses the risk of nuclear weapons expertise and other WMD expertise migrating from the Soviet Union by taking these extraordinarily capable scientists and partnering them with U.S. industry.

This program has garnered \$125 million in matching support from American industry. American industry invests \$3 for every \$2 of the taxpayers' money. And it is also gathered almost \$90 million in venture capital funding.

We have negotiated access arrangements that are allowing decent access to the closed cities, and we are working to commercialize many of these projects so that we can get the government out of this business and keep industry in it.

We are also responsible for eliminating the production of weapons-grade plutonium in Russia. Russia has three reactors that are still producing weapons-grade plutonium. We will shut those down and replace them with fossil fuel plants since they also provide heat and light for adjacent cities. The implementing agreements to

do this will be signed next week in Vienna by Secretary Abraham and his Russian counterpart.

In addition to stopping producing material, we are also continuing to work to dispose of material that has been produced. Under our preexisting program, 170 tons of highly enriched uranium has already been down-blended for use in commercial reactor fuel. My part of that effort is to monitor to make sure that the uranium actually comes from nuclear weapons.

We are also ramping up our efforts to dispose of 34 tons of Russian weapons plutonium. We will begin construction of the facilities in Russia and in the United States to dispose of a comparable amount of U.S. plutonium in fiscal 2004.

In the Moscow Summit in 2002, the President and President Putin agreed to an initiative to try and dispose of still more excess material. We have several options that we are working with the Russians on, and I hope to sign agreements with them later this year on purchasing still more highly enriched uranium, both for U.S. research reactors and for blending into a U.S. strategic uranium reserve.

I would like to conclude with three fundamental points. First, we are working actively and cooperatively with Russia, and I believe this is in the direct national security interest of the United States if we are going to prevent terrorists and others from gaining access to nuclear material and nuclear weapons. Second, just as my colleague described the speed bumps he has encountered, our work has not been easy, and it will not be easy. And, third, the question is not will we have setbacks but how effectively we respond to this, because in my view the programs are too important to be allowed to fail.

That conclude my comments, and I look forward to your questions, sir.

[The prepared statement of Ambassador Brooks can be found in the Appendix on page 579.]

The CHAIRMAN. Thank you, Ambassador Brooks.
Secretary DeSutter.

STATEMENT OF HON. PAULA A. DESUTTER, ASSISTANT SECRETARY OF STATE, BUREAU OF VERIFICATION AND COMPLIANCE

Secretary DESUTTER. Thank you, Mr. Chairman. It is an honor to appear here today to discuss Cooperative Threat Reduction and the work and responsibilities of my bureau, the Department of State's Bureau of Verification and Compliance.

The CTR effort and the work of Verification are complementary. Programs initiated and funded through CTR are intended to secure weapons of mass destruction sites throughout Russia, fund destruction—

The CHAIRMAN. Madam Secretary, could you pull that mic a little closer? And also, I just want to let you know that your entire statement is incorporated in the record if you want to summarize.

Secretary DESUTTER. Thank you. The job of verification is to assess whether a particular country has met its arms control and proliferation commitments and obligations and to seek to reinforce

efforts to bring noncompliant parties into full compliance, with their obligations.

I would like at the outset to say that when we have had problems in Russian compliance we have discussed these with Senator Lugar. He has been very cooperative in seeking to help us to reinforce with Russia our requirements for bringing them back into compliance with the Chemical Weapons Convention (CWC).

I would also note that the President is granting a waiver this January for continuing CTR funding—

The CHAIRMAN. Excuse me, did you say that they have come back into compliance with the Chemical Weapons Convention?

Secretary DESUTTER. No. Our efforts to get them to come back into compliance.

The CHAIRMAN. Oh, okay.

Secretary DESUTTER. I wish. But the President's waiver indicates that there is still much to be done. As we look to the future, I believe we should ensure that the funding provided for securing sites and destroying WMD material should also increase our certainty that the most serious threats have been lessened and our purpose achieved.

As Assistant Secretary for Verification and Compliance, I have the lead responsibility for tracking, determining and reporting on areas of noncompliance. My bureau also prepares the President's annual report on adherence to, and noncompliance with, arms control and nonproliferation agreements and commitments. My comments are drawn from my knowledge of that report and others that the Verification and Compliance Bureau has coordinated.

I am particularly concerned about Russian compliance, access to the most sensitive sites, whether biological, chemical or nuclear, and providing for improvements in transparency. I will also address the emphasis need for transparency as we prepared to ratify the Moscow Treaty.

That the Soviet Union violated its arms control obligations is beyond dispute. What is important now is that we gain adequate information to give confidence that those who inherited the Soviet WMD programs are committed to their security and elimination. While access could confirm our assessments of past noncompliance, it is also a necessary element in the path back into compliance.

We have been particularly concerned with Russian compliance with the Biological Weapons Convention (BWC). In 1992, the Russians admitted that the Soviet Union had had an offensive biological weapons program and had committed to eliminate that program. We knew at the time that the Soviet program was massive, that there were thousands of people involved in it and that it was spread across the Soviet Union. We knew that it would take some time to eliminate such a massive program.

The Russian declaration provided pursuant to the Biological Weapons Review Conference in 1992, however, was incomplete and in some way misleading. We had an indication at that time that there was potentially a problem. But, again, our early compliance assessments and our compliance findings recognized the fact that this was a massive program and it would take some time to remove the program.

In the interim years, there has been downsizing and restructuring of the biological weapons programs, and we believe that research and production facilities have seen severe cuts in funding and personnel. But we also believe that some key components of the former program may remain largely intact. Of particular concern is the possibility that some facilities, in addition to being engaged in legitimate activity, may be maintaining the capability to produce biological weapons and agents.

Previous assessments of Russian compliance have highlighted the dichotomy between what appears to be the commitment of key members of the Russian leadership to resolve BWC compliance issues and the continued involvement of old hands in BWC protocol negotiations and in what Russia now describes as its Defensive Biological Weapons Program. We appreciate the expressions of commitment, and we believe that they are sincere. What we need now is to have these expressions translated into practice.

A report prepared in support of the CTR waiver in December 2002 noted that there continues to be a profound lack of openness about the offensive biological weapon (BW) program inherited from the Soviet Union. The 1992 declaration also failed to list all of the sites that supported the Soviet Offensive Biological Weapons Program, and they retain at least some of their offensive capability.

That same report outlines progress made in terms of cooperation, related visits to several key Soviet era civilian production facilities in Russia, but observed that Russia continues to deny Western access to certain biological facilities, including those believed to have been associated with the Soviet offensive program.

There is no disagreement about the nature of the program or what is required to address the problem. We need greater access and implementation of elimination of the biological weapons program. We have had concerns in the Chemical Weapons Convention arena, as well.

In becoming a party to the Chemical Weapons Convention, Russia accepted legal obligations to destroy its chemical weapons stockpile and to forego the development or possession of chemical weapons. This includes the chemical weapons stockpile and program remaining in Russia at the breakup of the Union of Soviet Socialist Republics (USSR).

In recent years, the Russian Federation has taken steps to strengthen its chemical weapons destruction program, including consolidating responsibility under civilian leadership and significantly increasing funding. Progress has been slow, however, and Russia has had to request extensions on its chemical weapons destruction deadlines from the Organization for the Prohibition of Chemical Weapons (OPCW).

With international assistance, Russia started destroying its Category one blister agent stockpile in mid-December 2002. We remain concerned, however, that Russia may not have fully declared its chemical weapons stockpiles and facilities.

In addition, Russia may maintain chemical weapons production mobilization capability. The United States has been working closely with Russia in an attempt to resolve our concerns with their CWC declaration. We have had an intense dialogue on these issues even if we have yet to achieve full satisfaction on our concerns.

On several occasions, Secretary Powell, Under Secretary of State for Arms Control and International Security John Bolton, and other senior U.S. officials have stressed the importance of resolving these concerns, particularly related to Russia's chemical weapons stockpile, with senior Russian officials, including the chairman of the State Commission on Chemical Disarmament.

The United States and the Russian Federation also hold periodic bilateral meetings at the expert level with political oversight. In response to official U.S. questions about Russia's stockpile declaration, Russia provided some additional information and a proposal for U.S. experts to review documentation related to its declared chemical weapon (CW) stockpile.

Consequently, a team of U.S. experts visited Moscow in early December 2002 to conduct the documentation review. However, when the team got there, the Russian Federation only offered for review documents that had already been available to the United States through the OPCW.

The United States also proposed to Russia that the U.S. experts conduct site visits as part of our plan to resolve concerns related to the Russian chemical weapons stockpile. The U.S. proposal requests a series of short notice visits with unimpeded access to undeclared suspect Russian chemical weapons sites. The United States also provided detailed procedures governing how such visits would be conducted and made clear that such visits were not reciprocal.

To date, Russia has only agreed to site visits at declared chemical weapons storage and destruction facilities. The United States has made clear that visits to declared sites would not resolve our problems, and our consultations are continuing on this.

We explained this situation to Senator Lugar's staff, and as a result, the senator has raised this issue on several occasions with Foreign Minister Ivanov. I raise this as an example of how we can work together to try to use the CTR program, the CTR waiver report, and the waiver process to try to help bring Russia back into compliance with their obligations.

Russia is continuing to revise its previous plan for destroying its stockpile of nerve agents. On July 5, 2001, the Russian government approved the revised chemical weapons construction plan that amends the initial Russian plan of March 1996. Russia has provided the United States and the OPCW numerous details on the planned destruction of its nerve agent stock. However, the United States is continuing to seek additional clarification, and the Russian plans are continuing to evolve.

There are, however, positive signs in the relationship, and we hope that these will be translated into greater openness in these sites. Over the past two years, we have seen surprising cooperation between the United States and Russia as Presidents Bush and Putin have defined a new course forward for our relationship. One striking example of this is ongoing cooperation in the Global War on Terrorism. We hope to bring this kind of cooperation and transparency to address our BWC and CWC concerns as we further develop our new relations with Russia.

Another example of cooperation between the United States and Russia is the Treaty of Moscow signed by the two presidents last

May, which provides for significant reductions in strategic offensive arms. The Moscow Treaty recognizes a new strategic relationship between the United States and Russia based on the understanding that the principles which underpin our relationship are mutual security, openness, cooperation and predictability. This understanding played a significant role in our judgments regarding verification of the Moscow Treaty.

As was discussed in the Senate, we supported the Moscow Treaty ratification. The United States will gain transparency into the disposition of Russia's strategic nuclear warheads and the overall status of reductions in its strategic forces through our own intelligence resources, through bilateral assistance programs, including CTR, the Strategic Arms Reduction Treaty (START) and the work of the Consultative Group for Strategic Security.

We expect Russia to gain transparency much in the same way. Information gained through the START Treaty's verification regime, including data exchanges and short notice on-site inspections and intel sources, will continue over the course of this decade to add to our body of knowledge regarding Russia's strategic nuclear warheads. Moreover, the ongoing U.S. programs to assist Russia in eliminating its strategic offensive arms and enhancing the safety and security of nuclear warheads in Russia will provide additional transparency into Russia's reduction efforts.

It is possible that the Russian Federation may need additional nonproliferation and threat reduction assistance as it reduces its strategic nuclear warheads under the Moscow Treaty. As these discussions develop, we intend to continue to work with Russia under the Cooperative Threat Reduction program. We hope that U.S. assistant programs will be robust as they have been in the past since they have the opportunity to contribute both to threat reduction as well as our body of knowledge as we implement treaties.

Mr. Chairman, I thank you for the opportunity to speak today. I believe that the Cooperative Threat Reduction program can contribute to verification of arms control and proliferation agreements commitment. These programs are another means to bring Russia into compliance with their obligations and commitments.

Much has been done, but as the President has made clear in his decision not to certify Russian commitment to compliance, much remains to be done. The executive branch's efforts to accomplish these goals are multiplied by active support by the legislative branch in our endeavors.

So, Mr. Chairman and members of the committee, I thank you for your interest and for inviting me to discuss the verification and compliance perspective on CTR.

[The prepared statement of Secretary DeSutter can be found in the Appendix on page 590.]

The CHAIRMAN. Thank you, Madam Secretary.

And we have two other members, one on each side, that I want to recognize for opening statements. But in the interim, the gentleman from Missouri has an introduction he would like to make for a new member of the committee. The gentleman is recognized.

Mr. SKELTON. Mr. Chairman, thank you very much. Let me take this opportunity to recognize and welcome Congressman Timothy Ryan from the state of Ohio. He is a brand new member. As we

all know, we have to be 25 years of age to be a member of this body. He became elected at the tender age of 28; however, he is not a stranger to the House of Representatives, as he was administrative and legislative aid from 1995 to 1997 before he was elected to the Ohio state senate. And he also has a political science degree from Bowling Green State University, a law degree from Franklin Pierce Law Center. So I welcome from Ohio Timothy Ryan.

[Applause.]

The CHAIRMAN. We welcome our new member. Thanks for being with us and coming in on a very interesting hearing.

And I now recognize the gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. Mr. Chairman, thank you very much, and let me thank you also for calling this hearing and our witnesses for your excellent testimony and for your update on what I consider vitally important programs.

I have been to Russia. I was in Russia in May of 2002. I have been to the Urals and seen a missile silo obliterated, a small piece of the Cold War go up in smoke. I have been to Shchuchye, if I am pronouncing it correctly. I have seen these programs in place, and I am here to testify they work.

They work and they are worth what we are spending upon them. In just one decade at a cost less than we will spend this year on missile defense with a cumulative cost less than this year's commitment to missile defense, CTR has destroyed more than 6,000 warheads, 6,032; 847 ballistic missile launchers, 101 heavy bombers, 25 ballistic missile submarines, 510 air-to-surface missiles.

One of the most significant developments in the last decade, begun by the first Bush Administration, completed by the Clinton Administration, was the denuclearizing of Belorussia, Ukraine and Kazakhstan, a huge accomplishment that might not be accomplished today, particularly in Belorussia if we started out to do it. CTR was particularly critical in the case of Ukraine and Kazakhstan, no question about it. That in itself would pay for the program.

Now, there are some examples, some recent, of money spent in Russia that did not turn out as we intended it to turn out. That is to be expected. I mean, if you want to look around for comparisons for other white elephants, Mr. Chairman, you would not have to look too far in our history, on this committee or in the defense budget. You could look within the ballistic missile defense (BMD) program itself, come to South Carolina.

We spent \$2 billion putting the K Reactor back up into operating condition, restarting the K Reactor, ran it for a year and shut it down because we did not need the tritium. We spent \$40 million on environmental impact statement (EIS) for a new production reactor and an untold sum—I cannot remember—it was hundreds of millions, on a new production reactor and never completed it because we did not need the tritium.

Go out to Rocky Flats. We spent \$600 million, the Department of Energy did, on a building to make plutonium pits, ran it for six months, decided that the process was not acceptable, shut the building down. A \$600 million commitment then became an untold \$100 million liability for decontamination and decommissioning.

You could go on and on and on with the DIVAD (Division Air Defense), with the Aquila, with the F-14D and you name it; we have plenty of other white elephants in this budget. It is not to excuse any of them. All of this deserves rigorous oversight and that is what we are giving it today, but you are probably going to find some blips in the curve. Look at the case with the burnt fuel. That is, in a way, democracy working.

We should, all as lucky politicians, understand the memory complex applies in Russia as it does here in the United States. I had a governor of my state, South Carolina, threatening to line the path of trucks coming from Rocky Flats as opposed to letting them off-load their plutonium in our state. Same thing is happening in Siberia today. We have got to work with them, we have got to work around it because this program is critically important.

Let me just point out one thing. A couple of years ago, Senator Rudman and Lloyd Cutler co-chaired a commission that made a very, very frank and stringent investigation of all of these programs and came to the conclusion that the single most significant unmet, urgent need affecting our security is the proliferation of nuclear weapons, chemical and biological weapons, particularly into the hands of rogue states and rogue elements who will not use them responsibly and could use them to do harm to us or others.

In order to confront that threat, they recommended we triple what we are spending. Let me just show you one chart, very graphic chart, which shows you how much we are actually spending out of our total defense budget on what Lloyd Cutler and Senator Rudman said was the single most significant unmet, most urgent need in our national security situation today.

There are some problems, we ought to deal with them rigorously. We should not take anything but absolutely rock-hard assurances from the Russians when it comes to whether or not they are cheating on the Chemical Weapons Convention or cheating on the Biological Weapons Convention. We should hold their feet to the fire, and we should also plow ahead with these programs because they have done a lot more good than anyone really appreciates. They have been extremely important and they remain extremely, and I wholly support them.

The CHAIRMAN. I thank the gentleman and I want to recognize my colleague from Pennsylvania, Mr. Weldon, for an opening statement.

Mr. WELDON. Thank you, Mr. Chairman, and thank our ranking member and thank our witnesses for coming in today. It is important that we have this hearing, and Mr. Chairman and I and others in this room just left our first meeting of the Homeland Security Committee as we look to find ways to protect the homeland.

I am convinced that one of the reasons why we have this significant threat that we face today is because of the failure in the past decade by both Democrat and Republican administrations to properly address issues involving proliferation.

Specifically, I can recall asking the Congressional Research Service to do a study from 1990 to 1998 of alleged violations of arms control treaties by the Russians. Twenty times we found allegations and assertions of violations of arms controls treaties by Russian entities. As told to me by Alexander Levitt when I took a dele-

gation to meet with him in May of 1997, of the 20 times, we imposed the required sanctions four times.

This Congress knew that we caught the Russians red-handed transferring guidance systems to Iraq, not once, not twice but three times. In fact, I carry around a set of them that the intelligence agency allows me to use. We never imposed required sanctions under the Missile Technology Control Regime (MTCR).

This Congress was absolutely outraged when in 1997, Netanyahu's arguments about Russian cooperation with the Iranian program for the Shahab-3 and Shahab-4 was not going checked. In fact the House and the Senate both introduced the Iranian Missile Sanctions bill. It passed the House with 398 votes, the Senate with 98 votes. You do not get those kinds of votes to tell an administration to force a law that is already on the books unless there is a total lack of confidence in our arms control policy.

So as a result, during the 1990s, like river flowing over dam, technology flowed out of Russia involving some of the most serious threats of technology they had built during the Cold War: Chemical precursors, biological capabilities, missile technologies and conventional arms. They went to five countries: Iran, Iraq, Syria, Libya and North Korea. A gross failure, a gross failure of our government to do what it is supposed to do.

And it is my opinion the State Department totally broke down on the issue and did not do its proper job of enforcing the very arms control agreements that were designed to stop proliferation from going abroad, which it did, and now we are trying to play catch-up.

In fact, this committee was in the forefront. Alexander Levitt testified before this committee twice way before 9/11, and he told us pointed that he could not account for all of Russia's nuclear materials. We brought over the Administrator of Atomic Energy for briefings with us, we brought over Velakov on a significant number of occasions, that of Kurchatov, and he told all of us we are not doing enough. We are not doing enough to control technology, we are not doing enough to destroy the technology.

We brought over Alexei Yablokov, Dr. Yablokov, the leading environmentalist in Russia, who told us in this committee in 1998 that we were underestimating the threat of Russia's chemical weapons program and that they were undercounting it by as much as 60,000 metric tons,. They were claiming 40,000 metric tons but probably produced 100,000 metric tons. And we brought Ken Alibek before us. Dr. Alibek wrote the book, Biohazard, and testified that when he was number two at Biopreparat, his job was to develop strains of biological weapons that eventually were transferred to our enemies.

So the first thing this committee needs to put on the record is that we have had a gross failure of stopping proliferation through the arms control process. That is number one. If we had done that, we would not have to be spending this much money today in dealing with the threats that Osama bin Laden and Saddam Hussein have. We would not have to be playing catch-up, because the bulk of that technology came out of a destabilized Russia and we should have and could have stopped it.

Much like when we saw the theft of billions of dollars of International Monetary Fund (IMF) money and we knew it was taking place. We did not want to call public attention to it, because we did not want to embarrass Boris Yeltsin because our policy was to keep Yeltsin in power. And so, eventually, the Russian people lost confidence in what America's real intents were. So that is the first thing.

The second thing is, is the Cooperative Threat Reduction program something that we should support? Absolutely. And have we supported that? Absolutely. What offended me most as a 17-year member of this committee is to see someone from the other body publicly say that this committee was trying to thwart and stop efforts at stopping proliferation and destruction of weapons of mass destruction. Categorically, absolutely outrageously false.

This committee has a proven track record of working to support a substantive approach to working with Russia. In fact, over half of the members of this committee signed a letter signed by one-third of the Congress putting this document forward to both Bush and Putin, which, by the way, was unanimously adopted by the Russian Academy of Sciences at their meeting in December as their document, and they published in Russian and sent it to every member of the Federation Council.

Our document signed by over one-half of this committee, not by the members of the other body, but by one-half of the members of this committee calling for additional accountability in the way that we spend the public taxpayer money in helping Russia take apart their weapons of mass destruction.

So we will take a back seat to no one in either body in efforts to help resolve the issue of weapons of mass destruction and what we can do together. In fact, working with my friends in the nuclear nonproliferation project and the Vietnam Veterans of America, and the support of our chairman, and with the cooperation of John Spratt and Ellen Tauscher and Chet Edwards, we are going to come out with a major vote.

We are going beyond Nunn-Lugar. It is time to move to the next level. We will go beyond Nunn-Lugar in a major new aggressive program to work together with Russia to help them account for those materials they currently have, that Yablokov and Velakov and Lamontov and all the other leaders that came before us testified about. And we are going to go beyond in terms of cooperation, in dealing with issues like science and technology cooperation.

As I proposed in January, when I gave the 100th anniversary keynote speech at the Kurchatov Institute establishing a Kurchatov dialogue with our friend Edward Teller and calling it and naming it the Kurchatov-Teller Institute for Peace. So this committee takes a back seat to no one in terms of its—and I want to lay out because there is at least one reporter in America who does not get that story. And spending hours on the phone with that person, obviously having the story written before it went to press that somehow this committee really it was over when it comes to the issue of cooperation with Russia. And that is just not the case, and the facts are there to bear that out.

So what should we be doing? We should be doing more. The goal that we have been working on together, and I have gotten the pre-

liminary support of the leaders of the committee—and I still have to meet with our chairman for final approval, but Mr. Spratt and Ms. Tauscher and Chet Edwards and members on both sides have had some preliminary looks—expands what we are doing in areas of comprehensive inventory and data exchanges.

It accelerates international materials protection control and accounting. It funds efforts to close nuclear warhead production facilities, funds improved security at sites, promotes discussions and cooperation on radiological safety and security between the International Atomic Energy Agency and the Organization for Economic Cooperation and Development. It accelerates programs for blending down highly enriched uranium. It establishes the Duma Congress Nuclear Threat Reduction Working Group. In fact, the Duma and the Ukrainian leader have now publicly, on the record this year, said they want to work with us on new proliferation regimes.

It calls for a joint U.S.-Russian North Atlantic cooperation on missile defense. In fact, we saw, I think, ten, five years they canceled the only cooperative program with Russia, RAMOS. It was the Congress that stopped the administration from doing that. They did not want to expand that program. It encourages more collaboration. And the program has a whole section on restrictions and control of accounting for threat reduction programs to make sure that every dollar of money that it allocates is not misused by Russian entities or U.S. firms.

And let me say this: At this hearing, I hope we do not come away with the opinion that just the Russians have done bad things, because in many cases U.S. firms get dollars to implement these programs, and in some cases there is fault at the feet of U.S. corporations for not doing enough to make sure that we hold these dollars, these funds fully accountable to the American people in terms of how we are going to spend them.

We also take into consideration provisions offered by Senator Enzi on the Senate side on specific physical control at sites that the Russians have identified as being a top priority. We promote an initiative with the former Soviet states in the area that needs our attention. And we reestablished a science for peace program, a program that has suffered over the past several years and there is, finally, the Teller-Kurchatov Alliance for Peace, which brings our institutes together in a more aggressive way.

So I say, Mr. Chairman, I am proud of the work of this committee. I am proud that we in fact on both sides of the aisle have been out front in supporting the Cooperative Threat Reduction program, the Nuclear Nonproliferation program, but I am equally proud that we are not willing to give a blank check, just like we—if we had a defense contractor come back and tell us that they just spent \$100 million and could not account for it, it would be an absolute national scandal. And what I am saying, and what I think our colleagues on both sides of the aisle are saying, no one should be allowed to use American taxpayer money and waste that money.

The Russians understand accountability. They understand that when you give them dollars you expect them to follow through, and we have got to hold them to that standard. We did not do that in previous times, whether it was IMF money, World Bank money, or

whether it was responding to allegations of the transfer of technology illegally. This new approach, I think, does that.

And I want to also put a special plug in for my good friend over here who has done such a great job at DOD. Dave, you have done a good job under some very difficult circumstances. I have seen the work that you have done. I understand your commitment, and I appreciate that. You are a genuine professional.

Mr. Crouch, I know you by reputation. I have not worked with you as closely, but I look forward to doing that. We want to support these efforts, and I know my chairman who is as fiscally conservative as anyone, who, like Ike Skelton, wants to make sure that we do not take precious DOD dollars away unless we have absolute assurance that that money is going to be spent properly. They will support us when we have our act totally together, but blanketly throwing money and telling the Russians there will be no accountability is wrong and we are going to oppose it.

So, let the shot be fired across the bow of the other body. We are as aggressively for proliferation control as the Senate ever was, and we are going to show you that continually by our efforts here. And this legislation that we put forward this year will accomplish that goal, I think, very clearly. Thank you.

The CHAIRMAN. I thank the gentleman for his very eloquent statement. And let me respond briefly to my friend from South Carolina, who laid out a number of defense initiatives that he thought were less effective than they should have been.

We built weapons systems that were not very effective. I have never seen a facility, a \$100 million facility built to neutralize something that no longer existed, and I have never seen \$95 million be expended on a project where site development was done, where plans were put together at an expense of \$80 million, all before basic permitting by the city in which the program was located had not been obtained.

And having said that, I want to leave with a question on those two sites. The problem I think at Krasnoyarsk we have already discussed. Let me just ask, gentlemen and Secretary DeSutter, when did you become aware that there was no fuel to be neutralized, that it had been diverted to the Russian space program?

Secretary CROUCH. I became aware of that, I think, it was either in January or February of last year 2002.

The CHAIRMAN. And that was how long after the facility had been finished?

Secretary CROUCH. I am not certain the facility was completely finished at that point, but it was certainly very near completion.

The CHAIRMAN. Ambassador Brooks, do you have any recollection as to when you discovered there was nothing to be neutralized?

Ambassador BROOKS. No, sir, but because that was not my program, I was not paying as close attention to it.

The CHAIRMAN. Okay. Secretary DeSutter, from your long statement you appear to me to be someone who is very meticulous and likes to see detail. Did you ask for any detail about whether there really was any fuel to be neutralized?

Secretary DESUTTER. Mr. Chairman, my bureau does not directly participate in the CTR program, and so this was the DOD's respon-

sibility. The Department of State's Nonproliferation Bureau participates in those, but this is primarily a DOD program.

The CHAIRMAN. Votkinsk, that is the location where the solid rocket fuel plant was to be built. As I understand, as I have stated, the problem was we spent all this money, some \$95 million, and the most basic thing, the permits from the city of Votkinsk, could not be obtained, and after we expended all this money we were told they would not be obtained, they would not be issued. When did you, gentlemen, hear about that, or when did you first notice that there would be no permits to follow this \$95 million expenditure?

Secretary CROUCH. I think my knowledge of when we were notified by that, and I believe in that case the Russians had been keeping some of our CTR staff informed that there were some problems over, I think, the last few months. I think I learned of that probably in the last one month that we would not receive those permits.

The CHAIRMAN. Okay. Let me ask this—

Secretary CROUCH. Personally, very recently, but I do not want to leave the impression that Russian officials had not given us some heads up on this, because I think there is a difference, even though the outcome is the same and very comparable, that the money, as you said, is not going to be useful. I think the process by way we got there was slightly different.

In the heptyl case, the Russians basically announced when we were in the process of testing the facility that, "Oh, by the way, there will not be any fuel to load into the facility." Here in the Votkinsk case, they were consulting with us. They thought the permits would be eventually obtainable, and then it turned out in the end that the local political processes did not work out and, therefore, the investment, which was mostly in design and not in actually earth moving and that sort of thing, that investment was lost.

The CHAIRMAN. Yes. Some \$14 million was done and was used for site preparation and the like.

Secretary CROUCH. That is correct.

The CHAIRMAN. The rest design. Is any of that design retrievable, that design money? Can it be applied to another location?

Secretary CROUCH. The only circumstances under it could be applied to a location is if you were to build a similar plant somewhere else. And the options that are being looked at right now do not include building that.

The CHAIRMAN. So it appears at this point that the full \$95 million will be wasted.

Secretary CROUCH. Yes.

The CHAIRMAN. Let's take that to this new chemical destruction plant at Shchuchye. One of the conditions that we laid down was after we analyzed the fact that there is a very large inventory of poison gas inventory in the former Soviet Union, and we saw that maybe 15 percent of it or less is at Shchuchye, and we were confronted with this potential \$1 billion spent by American taxpayers to build this neutralization plant.

We said, "Wait a minute." The one thing we do not want to do is put a billion dollars of taxpayer money into this plant and then be told by the Russians, "Congratulations, you got 15 percent inventory. Now we want a billion-dollar plant here, and then we want another billion-dollar plant here and another billion-dollar

plant here, because we want to individually tailor our destruction plants to the particular stockpiles where they lay throughout the former Soviet Union." To maximize expenditures of these precious dollars, we wanted to make sure that this plant, once we put a billion dollars in it, is used to destroy all of the chemical that the Russians have an obligation to destroy.

And along with that requirement, or to facilitate that goal, we wanted to make sure that there is a federal Russian law that says all the chemical that we have to destroy under our treaty obligations will be destroyed at Shchuchye so we will not be faced with multiple billion dollar investments after we cut the ribbon on this plant.

Number one, does that seem like a reasonable goal for us? And, number two, are you undertaking an effort to make sure that that happens? That is, that we get a Russian statute that in fact will provide for all of their chemical that has to be destroyed to be destroyed at Shchuchye after we build it?

Secretary CROUCH. As I understand it, this committee and the Congress generally imposed six conditions on the Shchuchye project. We believe that three of those conditions have been met. One of them was that there was a substantial Russian contribution to the project.

The CHAIRMAN. You believe that was a good condition for us to impose?

Secretary CROUCH. Absolutely. Absolutely.

The CHAIRMAN. Okay. Others disagree. They did not want conditions.

Secretary CROUCH. Well, I mean—

The CHAIRMAN. Please run down through these, sir.

Secretary CROUCH. I think that, for example, on that particular condition, the value of that condition is that when you have contributions from multiple parties, in this case the United States as well as an international consortium as well as Russia itself, you have buy-in from all the parties. You have an investment from all the parties, and in any good business agreement if everybody is investing in the program, I think you have got a greater chance the people will go forward with that project and they will see it through.

The CHAIRMAN. Okay. Please go down through the other conditions.

Secretary CROUCH. Second is that there be an international commitment to contribute.

The CHAIRMAN. Do you think that is a reasonable condition?

Secretary CROUCH. Yes, I do.

The CHAIRMAN. Has it brought any fruit?

Secretary CROUCH. I think all of the conditions are reasonable, I can tell you that. At this point, we think we have international commitments totaling about \$65 million. Additional offers are being vetted through the Global Partnership, and we are continuing to press on that. We expect that the president's initiative, the so-called "10 Plus 10 Over 10" initiative, will help to give or focus some international funding from other partners on this particular chemical weapons destruction area.

The third that we think they have met is their agreement to destroy all their nerve agent production facilities, and that is to say we do not want to be destroying their nerve agent that they have on hand when they still have known production facilities out there. I want to be clear that Shchuchye is designed not to destroy every type of chemical weapon. It is to focus on what we think is the most lethal and the most proliferable of those weapons, and those are the nerve agents. There are other kinds of chemical weapons, the older blister agents, things like that.

The CHAIRMAN. So one of our conditions was, while we are spending this American taxpayer money to destroy nerve agent, we want to have an assurance from Russia that you are not making more of it. That is the essence of that condition. Do you think that is reasonable?

Secretary CROUCH. That is the essence. Absolutely, that they are not making more nerve agent, correct.

The CHAIRMAN. Could you certify that?

Secretary CROUCH. At this point, I do not think we can certify that; no.

The CHAIRMAN. Okay.

Secretary CROUCH. But we can—I think we can say that they have agreed to destroy the known nerve agent, production facilities.

The CHAIRMAN. But you cannot say for certainty that there are not some other nerve agent production facilities in existence.

Secretary CROUCH. That is certainly a concern that we have.

The CHAIRMAN. Okay. Please proceed.

Secretary CROUCH. We think they have made it halfway on the condition of requiring an enactment of a law that would provide for elimination of all nerve agents at a single site.

The CHAIRMAN. That would be Shchuchye.

Secretary CROUCH. That is consolidating these nerve agents at Shchuchye.

The CHAIRMAN. Okay. So that means that after we have spent a billion dollars with some contribution from other countries, some \$65 million, and some contribution from the Russians themselves, we are not pleased with the statement, "Fine. You have got one billion-dollar plant that will handle about 15 percent of our nerve agent and if you want to destroy the nerve agent at other sites, you are going to have to build a billion-dollar plant at each site." You are trying to eliminate that possibility.

Secretary CROUCH. Correct.

The CHAIRMAN. Is that accurate?

Secretary CROUCH. That is correct.

The CHAIRMAN. Do you think that is reasonable?

Secretary CROUCH. Yes, sir. As I said, I think every one of these is reasonable. I would go beyond that. I would say that they are helpful, okay?

The CHAIRMAN. Do you think this committee in establishing those conditions has helped you?

Secretary CROUCH. Yes.

The CHAIRMAN. Would you send that message to Senator Lugar's staff? I think he needs to have that.

Secretary CROUCH. I think he may have gotten it already, sir.

The CHAIRMAN. Thank you. Tell me how far along you are in terms of getting this statute, and I understand it is got to be a federal statute, through the Russian system that will utilize Shchuchye as the site for destruction of all of their chemicals?

Secretary CROUCH. My understanding is that the laws have been changed that would permit the transport of the nerve agent to the site. What remains is for President Putin to declare that in fact they will move the nerve agent to the site. So, I think in terms of—my understanding is, in terms of the Duma process, they have done what they need to do. It is now up to the President, and we expect that that will happen.

The CHAIRMAN. Okay. But let me tell you—

Secretary CROUCH. It has not yet happened.

The CHAIRMAN [continuing]. As you know, Mr. Crouch, movement of this agent is often, as we know at home, is often a subject of some controversy and consternation.

And the deal is not done until it is established that it can be moved. Otherwise we are liable to be faced with a situation where we are told that this is not politically doable.

Secretary CROUCH. I totally understand, sir. I mean, I was involved in the movement of our own chemical weapons some 13 years ago back here to the United States out of Europe for destruction, and I remember how difficult that process was.

The CHAIRMAN. Okay. Please proceed with the conditions.

Secretary CROUCH. We think they have almost fully satisfied the condition requiring a practical plan for destroying the nerve agent stockpile, but more work needs to be done there, so I would not say that condition has been satisfied.

And, finally, as Assistant Secretary DeSutter has indicated, they have basically walked back on their prior commitments to a full and accurate disclosure of the size of their existing chemical weapons stockpile, and we do not have that information, and I think in some ways that may be the toughest of the conditions.

Mr. WELDON. Will the gentleman yield?

The CHAIRMAN. I would be happy to yield.

Mr. WELDON. Isn't it pretty realistic that they will never be able to document that because their record-keeping system—I mean we had Yablokov testify that, in his opinion, they produced 100,000 metric tons of chemical weapons. I think they officially declared that they have 40,000 metric tons. I mean, are we ever going to be able to get a realistic number? I mean, would anyone know that in Russia today, do you think?

Secretary CROUCH. I guess what I would say is that while we may not be able to get a 100 percent accurate figure, we could certainly get an improved effort on their part to give us what they know. And so I think that this committee was right to place that condition on the funding, but you raise an important point, that what they come back with may not jive, for example, with the 100 metric tons that you have had testimony before in this committee.

Mr. WELDON. Mr. Chairman, that is my only point; that while I think this is a good provision, I think we have to provide some flexibility on the interpretation of both State and DOD, because I do not know that anybody can give us with total confidence the exact number of chemical weapons still in their inventory. I do not

know that that number exists anyplace. And knowing some of their accounting systems and how archaic they were and how archaic some of them are today—so there, I think, while I agree with you that it is moving in the right direction, I do not know that we will ever get a quantifiable number that we can point to and say that is the number.

The CHAIRMAN. And I thank Mr. Weldon, and I want to tell my friend I think that the Administration understands what you have said by virtue of the fact that they have waived that particular requirement. So they understand it.

Mr. Crouch, incidentally, I have got a copy of the Moscow Times today, or a summary of what has occurred. Apparently, the Moscow—and I am quoting, “The Moscow Times reported today that Russia has been forced to close its Gorny chemical weapon demilitarization facility, which was built largely with German assistance, due to a lack of necessary permits and environmental concerns.” And this is a facility that has only been up since December 2002. So it has only been up for a couple of months.

So how can we be certain that their proposed plan to eliminate Russian rocket engines with refurbished outdoor burners, that is the substitute plan for what took place at Votkinsk, will not meet the same fate as this Gorny plant? And how about the same problem with the chem demil at Shchuchye? Have you seen what has happened here?

Secretary CROUCH. I read that article this morning, as you did, in the Moscow Times.

The CHAIRMAN. What looks like a massive investment closed down after a few weeks.

Secretary CROUCH. Yes. It was not clear to me, and I have not had time, frankly, Mr. Chairman, to explore the details; but it was not clear to me whether that was a temporary shutdown or whether it would be a permanent shutdown. We are hopeful, of course, given the German—it is mostly a German investment to destroy the non-nerve agent, the blister-type agents, that that will be a temporary shutdown.

But it highlights the problem that you raised in your essay. One of the ways we can do this is by making sure that we are getting permits ahead of time, not after the fact. But even there local politics can often overturn existing permits. And so I do not want to sit here and tell you, any of you, that there is a certainty in this, just as there is not a certainty in the construction of chemical demil plants here in the United States, that they cannot be overturned by local regulation and the like.

The CHAIRMAN. Okay.

Secretary CROUCH. But I do think—

The CHAIRMAN. Here is what I think we need to do, Mr. Crouch, and I will finish up here because I know my colleagues have questions. This situation—first, my inclination is we are going to review the request, the President’s request. My instincts tell me that once again, like last year, we are going to fully fund this request, but I think it is also time to put in what I would call some practical tools for accountability.

One of the practical tools for accountability that you would have if you were developing a project anywhere in the world would be

regular meetings of assurance; that is, meetings where the project manager, someone from your shop, would sit down with all the parties of interest and review things such as: Are the contractors in order? Does a valid requirement exist? Does the substance to be neutralized continue to exist? Do we have transportation problems? And especially in these jurisdictions, where you have subdivisions of state government—apparently like the city of Votkinsk, that the power to veto these projects, just as a city could veto a subdivision, that you have the proper credentialing and the proper permitting in place before massive investment is made.

And through meetings of assurance and also having an American official on the ground. One thing I recommended to the Clinton Administration—they told me it was too dangerous—was to have an American site manager, so that instead of visiting these sites on an irregular basis with a team you would have somebody there who knew precisely what was going on, the state of work, the competency of the contractors, the flow of money and whether the American taxpayers are getting what they bargained for.

So I know my colleagues are going to have a number of recommendations also, but I think now is the time to sit down with our friends in Russia—many of whom, I think, as Mr. Weldon says, share this goal that we have—to sit down and establish some basic tools for accountability, because the blunders that have been made are fundamental blunders, blunders that could have been eliminated, for example, had someone been checking regularly with the local government to make sure the permitting was done. That is the very first thing you do when you are building a project or a development in a local jurisdiction.

So I think that the answer to this problem largely lies in putting talented people on the ground where they in a practical way can make these programs account for themselves. And I would hope you would agree with me and that we could work together and work with the Senate and the leadership over there and make sure that we have a real system that is going to give the American people what they think they are getting, which is dismantlement of these strategic systems.

Secretary CROUCH. Absolutely. If I may make a comment.

The CHAIRMAN. Certainly.

Secretary CROUCH. I agree with your recommendation. In fact, I believe we have already instituted that recommendation. We now have semiannual reviews where we sit down with the project managers, people in Russia, the people on the U.S. side, the U.S. contractors, and other people involved and we go through a pre-planned set of project goals, project assumptions and we ask the kinds of questions that you are recommending that we ask, and that is—

The CHAIRMAN. Okay. But, Mr. Crouch, if we were doing this program in the United States or anywhere else—it is a \$100 million facility. You should have people on the ground, just like we do everywhere else in the world, doing literally a weekly review of how things are going. Have the big review that involves the Department of State and some of the basic questions like the federal statute, how is that going.

But in terms of actually putting this thing up and the requirement and the permitting and all the things that are needed on a practical basis, to make sure we get our bang for the buck, we should have reviews on a weekly basis or at the very, very least on a monthly basis by people that are on the ground, in contact, see what is happening and can report back to us directly. Don't you agree with that?

Secretary CROUCH. Well, absolutely. In terms of constructing a project like that, there ought to be weekly and monthly meetings to go over those issues. But I am talking about a more fundamental review, where you go back and go over the basic issue of—where a question might be raised, for example, do you still have fuel to burn at the plant?

The CHAIRMAN. Well, precisely. But that is why it should not be done only twice a year, because you can expend \$20 million, \$30 million. If in June, Votkinsk decides not to give us permits and it is not till December that you get briefed on that, we have spent a lot of bucks.

Secretary CROUCH. Yes.

The CHAIRMAN. So, I think, because this situation is especially fluid and one that can change, we should ride this one with a pretty tight rein.

Secretary CROUCH. Absolutely agree. But I think in addition to reviewing all of these programs and looking in the short term to try to find any other potential heptyls out there, and our team has spent a year doing that, the next few months I want to focus on looking at how we can more constructively and maybe even more efficiently if we are lucky achieve the objectives of the program without necessarily having to use some of the tools and techniques that were used or were recommended for use in the 1990s.

The CHAIRMAN. Okay. Thank you.

And Mr. Skelton.

Mr. SKELTON. Mr. Chairman, I will hold my questions until the end of the hearing. I yield this moment to the gentlelady from California, Ms. Tauscher.

Ms. TAUSCHER. Thank you very much, Mr. Skelton, for yielding time.

Mr. Chairman—this is a good time to say this—I am very concerned that we are hypercritical of these programs right now when we are attempting to disarm Saddam Hussein of weapons of mass destruction. It sounds to me in the last hour and a half I have been here that these are failure projects, that they are not really working, that we do not have enough oversight and that what Congress really wants to do is micromanage them, which I do not think you want us to do. It sounds like you have got some new ways of making sure that there is more accountability. Isn't that true, Dr. Crouch?

Secretary CROUCH. Yes. I mean we have instituted a number of ways, including these executive management reviews, where we intend to look more closely and try to identify these kinds of problems. And as I said, beyond that, I think we ought to be looking more broadly at what are the goals of the program and how can we achieve those goals without necessarily going down a particular route?

So, for example, in the case of heptyl, this was a project that was conceived in the early 1990s, and it was built between 1996 and roughly the year 2001, 2002, to destroy rocket fuel that came out of rockets. The most important thing is to destroy the rockets.

Ms. TAUSCHER. And we are doing a pretty damn good job of that, are we not?

Secretary CROUCH. That is right. And we did a good job of that. And so there may be—and, again, one of the things that we had to do is we had to defuel those rockets, and to defuel those rockets we had to have some way of handling the fuel. But there might have been a more creative way in working with our Russian partners to do that without constructing a \$100 million dollar facility.

So I think we all agree here that we share the goals. The individual projects deserve all of our analytic scrutiny, and that is really the question.

Ms. TAUSCHER. And I agree with my colleague from Pennsylvania, Mr. Weldon, that this committee I think has a tremendous dedication to making sure that these programs are accountable. I do not think there is anyone on this committee that is not violently opposed to waste, fraud and abuse. We do not want the Russians diverting funds or misusing funds.

But, I do disagree that this committee has had a constant and consistent dedication to these programs, because, frankly, over the last six years that I have sat in these chairs, we have yo-yoed the funding, and we have head-faked each other as to exactly what our commitment was, because we increasingly put impediments in front of the administration because we decided that we were going to micromanage.

And I am deeply concerned that, at a time where we have a \$60 billion program called national missile defense that does not even work over the last 20 years, that we are having this kind of hearing that is so hypercritical about I think the most successful programs we have to disarm the former Soviet Union and Russia, and that we are acting as if we have to, as Congress, step in between three big departments, Defense and State and Energy, and that we have to require you to do things because, clearly, we have a different set of tracks to deal with.

And I think these are in wonderfully successful programs, and I think we should not only increase the funding, but the funding that the President asked for should be a floor, not a ceiling, and that we should get out of the way and perhaps let you do your job, hold you accountable, as I am sure we will. And I am hoping that we have the same kind of oversight on national missile defense that we have on this program. And I yield back the balance of my time.

Mr. WELDON. The gentlewoman yields back.

Mr. Gibbons.

Mr. GIBBONS. Thank you very much, Mr. Chairman. And I want to join the chairman and my friend from Pennsylvania, Mr. Weldon, in their comments today about the threat from terrorism and the fact that it does not always come from surplus rocket fuel or missile engines. There is a real and indeed threat, I believe, from the proliferation of fissile materials, and I would like to focus my comments directly to that issue.

And, of course, I believe the United States is right to take steps to help Russia deal with and secure its nuclear stockpiles of fissile materials and especially excess fissile materials. My concern is, however, that even in our country when we start dealing with programs like MOX, that is the mixed oxide fuel program, where we are talking plutonium and down-blending it for types of nuclear fuel, that in the end we still end up with plutonium. Albeit, it is somewhat less proliferable than weapons grade, it is still a program under which radiological dispersion devices could be made if it were ever created.

We have also got nearly 70 tons of excess weapons-grade plutonium in Russia that has to be dealt with on that regard, and I would like to know, perhaps Ambassador, what programs, besides just down-blending, are you supporting or the direct purchase of these excess fissile materials are you supporting to deal with the kind of fuel program that results from either burning of enriched uranium, which ends up having potential for proliferation when it goes back through a recycled program? Besides the direct purchase program, as I indicated, and besides the down-blending, are there other programs that you support out there to deal with the excess proliferable weapons-grade plutonium in the world?

Ambassador BROOKS. Congressman, there are not, and there are not because thus far we do not know any other ways. You take plutonium and there are, in essence, only two things you can do with it. You can somehow fission it, ideally in a reactor so you get some power out of it, or you can try to mobilize it and put it in some long-term storage. Mobilization is very fashionable with some in this country, but the Russians have consistently opposed it for a variety of reasons, and there are some technical question as to whether it is feasible as we think.

Mr. GIBBONS. Well, let me bring up an issue that I think perhaps you are not completely aware of and that is the Radkowsky Thorium Fuel Program, and that is program designed by I think former Admiral Radkowsky who designed the Navy's nuclear program. And this is a thorium-based fuel that has use for commercial light-water reactors that I think is very interesting.

In its reduced rate of plutonium generation, it has a reduced waste generation per unit of energy generated, and it has an enhanced proliferation resistance and reduced toxicity characteristics. That is a program which I think your entity, whether it is the Cooperative Threat Reduction Program or others, should be vitally interested in. It is something that I believe the Brookhaven Institute has found under phase one to comply with their non-proliferable performance costs, safety and retrofitability claims for reactors.

And I was just hoping that I could get from you an interest in that kind of a program which is something that will deal with the kind of proliferability issues you get from a reprocessing or recycling or even this down-blending of plutonium issue that you are going to burn in some of the reactors under a MOX fuel system.

I think it is an inexpensive project today that ought to be looked at. There ought to be some support for this. It is being worked on in the advanced fuel cycle initiatives. There are some monies that need to be looked at, cooperation with Russian scientists at the Kurchatov Institute on this very program, which I have been at, I

have looked at, I think is very promising. And I would hope that the Administration and your departments can look at this issue and react favorably to it.

And with that, Mr. Chairman, I will yield back the balance of my time.

Did you want to respond to that?

Ambassador BROOKS. Congressman, I will be happy to look again. I have met with the President of Thorium Power. Our assessment thus far has been that we are talking about different time scales. I am trying to start something in 2004 and most believe, and I understand that not all believe, but most believe that the promises of this approach are substantially in the future and that it is perhaps more suitable not for the 34 tons I am trying to deal with immediately, but for a follow-on, but let me look again, sir.

Mr. GIBBONS. Well, just one brief response to that, and I apologize for taking time, but according to the studies I have looked at, this is what they call a near-term solution. We are looking at something and they are quoting in the five to ten-year range. Only if we start this investigative process, this testing process this year, can we look at it five to ten years down the road as a viable program.

Ambassador BROOKS. I will be happy to look again, sir.

Mr. GIBBONS. Hopefully we do not keep delaying it, because then it will never be a viable program.

Ambassador BROOKS. That is now what our past looks have shown, but let me look again, and I will get back to you.

Mr. GIBBONS. I would appreciate that.

Mr. WELDON [presiding]. I thank the gentleman.

Ambassador, as you know, we have put money in the defense bill and fought to get the appropriation to keep that program going.

Ambassador BROOKS. Yes, sir.

Mr. WELDON. Like my colleague, I have also witnessed it at Kurchatov where they have about 300 scientists working on the thorium initiative. And I am convinced, and you are the scientist, I am not, so you have to look at it scientifically, but I am convinced that it does offer the kind of promise that my colleague mentioned in terms of providing a fuel without the problems of both the environment and the potential to use that fuel for producing weapons.

And my feeling was there might have been some internal feeling within DOE that somehow this was an attempt by Congress as an alternative to Yucca Mountain, and that is not the case.

Ambassador BROOKS. No, sir. I do not think that is the case. In fact, we are actually funding a little bit of that Kurchatov work through the Initiative for Proliferation Prevention (IPP).

Mr. WELDON. Right.

Ambassador BROOKS. I think that what we have here is technical disagreement about time scale, and I need to go back and look and make sure that I still think what I thought when I sat down, which was that this may be a very interesting technology, but it is not a near-term alternative. But I respect the analysis that the congressman has read, and let me go back and take another look, sir.

Mr. WELDON. Thank you.

Mr. Spratt.

Mr. SPRATT. Thank you, Mr. Chairman. In our effort to cover a massive country, the former Soviet Union, with a multiplicity of different nuclear systems and sites, are we perhaps overlooking what may be one of the most dangerous threats in the world? It is much smaller sites but the nuclear research reactors that are located in some 40 to 50 different countries, many of which are loosely secured and only vaguely accountable. Is this something we should be focusing a lot more attention on?

Ambassador BROOKS. Certainly something that we should be focusing on. There is a Reduced Enrichment Research and Test Reactor Program, which basically—the danger in research reactors is that many of them use highly enriched uranium for fuel, and while that is sitting there waiting to be used as a fuel, it is the ideal proliferation material. So the approach, the conceptual approach, is to find a way that will let you get the characteristics of the reactor using low-enriched fuel.

There is a new fuel approach, uranium alloy, that is being developed, which, if it turns out to be successful, should let us convert most of these reactors over the next decade, decade and a half. I know that sounds like a long time, but in the nuclear business that is actually moving fairly quickly.

We have agreed with the Russians as part of the President's initiative at last year's summit to try and accelerate Russian-designed reactors. You saw, of course, the return of the fuel from the Vinca reactor. We are very close to one other country, I prefer not to be specific in an open session, of also returning fuel. And so I think it is an important program. Whether it can be accelerated—at the moment, I do not think that it can be, but I will look again, sir.

Mr. SPRATT. Would extra money for use outside the former Soviet Union aide your efforts here?

Ambassador BROOKS. I am very reluctant to answer that because no program manager ever wants to say no, but I do not want to make a promise to the Congress that I cannot keep. May I answer that for the record, sir?

Mr. SPRATT. Certainly.

Ambassador BROOKS. I need to consult with my people and make sure that I can really use the money if you give it to me.

Mr. SPRATT. Some years ago there was a controversy about when the Koreans might be able to adopt—the North Koreans might be able to develop an extended-range, three-stage intercontinental missile. And our sitting chairman here, Mr. Weldon, took vigorous exception to CIA's initial estimate that it would take 10, maybe 15 years if they had no outside assistance. His point, among other things—Curt, tell me if I am misconstruing you—was that they are likely to have outside assistance, and if they get it, that time frame is likely to be much compressed from 10 to 15 years.

We have now seen that the North Koreans did indeed get some outside assistance, probably from the Pakistanis, in developing nuclear weapons which highlights the importance of two programs you have got: Nuclear Cities and IPP, Initiatives for Proliferation Prevention.

My impression is we are doing less in that area rather than more, and while the overhead has been significant and the Congress has been critical of that, nevertheless, it seems to me to be

in the area where we need to be spending substantial sums of money in order to keep that talent safely within the boundaries of the former Soviet Union.

Ambassador BROOKS. I think those are both important programs. As you know, we have combined them to make sure we responded to some congressional concerns about any possibility for duplication. I mean, we have about 200 projects going on. They are individually small projects. We found—

Mr. SPRATT. Are we spending more next year or are—

Ambassador BROOKS. We are spending the same. That program has been level for two reasons. One is that at the time we prepared the budget, we were faced with some access problems in the Nuclear Cities. Those have largely been overcome. And the second reason why we—

Mr. SPRATT. Wouldn't that be an occasion for enlarging the program then?

Ambassador BROOKS. Congressman, maybe. The second reason is that we need to make sure that we can do this in an intelligent way and not simply throw money that we cannot account for. So we came to the level that we came to.

I do not want to pretend that the \$40 million I am requesting for this could not be \$41 million or \$39 million, for that matter, because this is not the kind of program you can calculate that precisely. But I agree with you on the importance of these programs, and there have been some good commercial successes that are coming out of these programs.

Mr. SPRATT. Thank you, and thank all of you for your testimony.

Mr. WELDON. Ambassador, is that the program that works for the U.S. Industry Coalition?

Ambassador BROOKS. Yes, sir; it is.

Mr. WELDON. I would just echo my strong support for that. That coalition does a fantastic job.

Ambassador BROOKS. Yes, sir; they do.

Mr. WELDON. I have seen the very specific projects, and to me it is impressive, the work they do.

Ambassador BROOKS. One of the things when we consolidated Nuclear Cities and the Initiatives for Proliferation Prevention was to get the benefit of the U.S. Industry Coalition looking at the Nuclear Cities part of the program, as well.

Mr. WELDON. Great.

Mr. WELDON. Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman, and thank you very much for coming and your testimony today. A lot of discussion here today about how much money we are spending and perhaps wasting, and I, like the rest of my colleagues, am concerned about that. But it seems to me that these programs are not fundamentally designed to disarm the Russian Federation but to reduce the threat, and particularly in the areas of proliferation in allowing weapons, either nuclear material or biological weapons or chemical weapons, from getting in the hands of others.

So I am interested, particularly in light of some big numbers that are used here—500 metric tons the Russians have for weapons-usable high enriched uranium, a massive offensive biological warfare program that we are trying to get our hands around—the thought

that we perhaps do not know where all of those weapons might be. And in testimony, Mr. Ambassador, I think you said—and maybe I have it confused whose testimony it was—that there were some 78 nuclear detection sites that we were working on.

And so my question is, what specific programs like that, the stop-the-leaks programs, if you will, can you talk to us about, and are we adequately funding those?

Ambassador BROOKS. Yes, sir. Most of those are mine, some of those are Dr. Crouch's, so let me start with my part. Our programs focus on, first of all, protecting weapons or improving the Russian ability to protect weapons against theft. And you are absolutely right, nothing I do is about disarming Russia; everything I do is about making sure that Russian material stays in Russia and does not find its way in the hands of adverse people.

The responsibility for upgrading weapons sites is shared between the Department of Defense and the Department of Energy. My part is the Russian navy and a little bit of the strategic rocket forces. Dr. Crouch's part is everything else. My part of the Russian navy we will have done everything we believe to be appropriate by 2006.

I am also protecting the nuclear materials that are in the hands of the Ministry of Atomic Energy. That is both uranium and plutonium. That is where the 600-metric ton figure that is in my testimony comes from.

Because one does not like to depend on any single approach, we are also looking at what is called the second line of defense, which is a border security program. The idea is that you would like all of this to stay secure, but if it does not stay secure, you would like it to be found before it leaves the Russian Federation. We have identified 78 locations for border crossings where we believe that detection equipment to help detect nuclear materials is a wise investment.

Mr. KLINE. And excuse me, are we funding through this program that equipment?

Ambassador BROOKS. We are funding that equipment. We have installed equipment at 20 of those locations thus far—I am almost positive that number is right—and we will probably complete the installation in 2005. There are comparable programs in some of the other countries, once again, to give you a second chance, and that has been historically a shared responsibility with the Department of Defense, although right now I am doing the equipment at checkpoints, and the Department of Defense is doing the capability to deal with broader border security.

Mr. KLINE. And excuse me again. You see no problems, no obstacles with that?

Ambassador BROOKS. At the moment, my problems are not money. This is one where I can say with a straight face that more money is not the issue. The issue is the ability of the Russian Federation to absorb the aid in a fiscally responsible way. And so I do not feel in—I mean they will take checks if you want to send them, but that is not—

Mr. KLINE. But, there again, that is in large part to what we are talking about here today, is not just sending money over there that is not properly spent and actually being able to get to those 78 sites with equipment that might actually keep the—

Ambassador BROOKS. We have a number of mechanisms to try and make sure, of which the most obvious is that we basically do not pay them until the work is done. And right now their ability to—it is a quite bureaucratic system there—their ability to absorb contracts to do—we each do an independent analysis of threats, so we are spending what we need but not more than we need, and that is the limiting factor in the ability to absorb assistance. So I do not think that I have a resource problem.

In most cases, I do not have an access problem. There are some facilities, particularly the large serial production facilities, where we have not yet gained access. Those are the facilities where the Russian security is the best, and exactly how I am going to deal with that, we are still in dialogue with the Russians. But at the moment, I am generally happy with that program, both with how it is going and I am certainly happy—we have gotten very good support from the Congress; in general, in this committee and in particular on the funding.

Mr. KLINE. Okay. Thank you. I am sure there are other programs we could talk about way past the committee time, but I see my time is expired, so thank you very much for the complete answer. I yield back. If I have any time left, I yield back, Mr. Chairman.

Mr. WELDON. I thank the gentleman.

Ambassador, do you also involve yourself with the Atomflot Fleet and that program? Are you doing work with the Atomflot Fleet?

Ambassador BROOKS. I am sorry, sir?

Mr. WELDON. With the Russian Atom Flot Fleet, the fleet of nuclear-powered icebreakers.

Ambassador BROOKS. I am not doing much with the icebreakers per se. What we are doing—the only thing we have done is we have done improved security on naval nuclear fuel. Once again, that is fresh fuel because that is proliferation risk. Our approach thus far—the U.S. approach thus far has been that things like icebreakers and general-purpose submarines; the problems of that fuel are probably real problems, but they are not proliferation problems, and therefore we have not seen that that is an appropriate use of taxpayer money.

Mr. WELDON. Okay.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman.

And I want to thank you for your service to our country, and I had the extraordinary opportunity—Congressman Weldon took me to the Kurchatov Institute in Moscow, and so it is just extraordinary what can be done, and I wish you well.

I have a keen interest, of course, Ambassador Brooks, in the development of the mixed-oxide fuel fabrication facility at Savannah River, and we in South Carolina are very interested and want to do our part to provide for the plutonium to be blended with uranium to make the fuel to no longer be a possible threat to the world system. And I am very pleased to see that there is funding for the beginning of the construction of the plant.

Of course, the dates of the completion are very important to South Carolina. With the very hard work of former Congressman, now U.S. Senator, Lindsey Graham. Working with Congressman

Spratt from our state, we have a provision that the plant has to be in production by 2011 or there would be—and I know this is of interest to other people—a fine from the U.S. Government to the state of South Carolina of a million dollars a day up to \$100 million.

And a concern that I have is that in the media at home it has been presented that in Russia there has been a delay in their MOX plant and that the plants were to be developed in tandem. Would that possibly lead to a delay in the construction of the plant here in the United States?

Ambassador BROOKS. The Russians agreed in December to basically use a mirror design to the design that we are using, which, as you probably know, is in fact based on a French design. Given that, I believe that we will not see significant delay. My guess right now is in order to stay roughly on schedule with the Russians, we will still begin construction in 2004, but it will be later in 2004 than we could do if we were not linked to them.

I participated with Congressman Spratt and now-Senator Graham and others in the dialogue that led to the legislation, and we are pretty confident that we can make all those dates, sir, and I am pretty confident that we will. We have got very good support from both the Congress and the Administration.

Mr. WILSON. And you are very diplomatic to call it a dialogue.

Another concern is our traditional first ally, France, and their cooperation in allowing the United States to work with the existing facilities that they have. Is that being worked out or not, and it applies also to Belgium.

Ambassador BROOKS. Yes, sir. I do not foresee any problem there.

Mr. WILSON. Well, that is excellent. And as you notice, something as arcane as this is front page in South Carolina, so I want to thank you for what you are doing.

Ambassador BROOKS. Yes, sir. I mean this is—you can make an awful lot of nuclear weapons out of 34 tons of plutonium, and so the ability to eliminate that—and I am not worried about the security of the plutonium in the United States because that is also my responsibility and I am pretty comfortable, and I am working to improve the security of material in Russia, but I will be a lot happier when that material starts getting put in a form where it cannot be used for proliferation. So this is a very important program. I mean, it ought to be front page news.

Mr. WILSON. And, again, in South Carolina we are very proud of this program and the project, and we want to work with you.

Ambassador BROOKS. Yes, sir.

Mr. WILSON. I yield the balance of my time.

Mr. WELDON. I thank the gentleman, and I remind my colleagues that we have another panel that is going to be appearing today, so there is plenty more time for questions and certainly worthy of your attention.

Mr. Marshall is yielded five minutes.

Mr. WELDON. I thank the gentleman and finally our newest member of the committee, Mr. Ryan is yielded five minutes. No questions? Thank you.

Mr. Skelton.

Mr. SKELTON. I just have one question.

Mr. Secretary, in your opinion, based upon the problems that we have discussed today, do you think we have enough either congressional or administration oversight?

Secretary CROUCH. I think that we have put into place the sufficient oversight of this program within the Department that we can move forward on it. And I am pledging to this committee that in addition to the things we have done over the last year as a result of the heptyl revelation, I want to go back and look at each one of the programs and see which ones we can do better and more effectively. And that is a second stage of this.

I welcome this committee's oversight. As I said to the chairman, I think it has been very helpful and constructive. It provides us leverage. Obviously, as Congresswoman Tauscher said, there is a subtle distinction between what one would regard as micromanagement and what another would regard as useful oversight. I think we have struck that balance pretty well, and I am confident that working with the committee we can move forward and have this program continue to be successful as it has been successful.

Mr. SKELTON. Thank each of you for your testimony. Thank you.

Mr. SPRATT. Mr. Chairman, could I ask one simple question?

Mr. WELDON. Go to it, Mr. Spratt.

Mr. SPRATT. Do either of you think—any of you think that we could effectively fight the proliferation of chemical, biological and nuclear weapons without programs like this?

Secretary CROUCH. No. I would not want to.

Secretary DESUTTER. Congressman, I do not know why you would want to take that approach, so I think that these can be used to help us with those problems.

Mr. WELDON. Thank you, Mr. Spratt. One question before we go to the other panel. I have had a number of discussions with Ken Alibek, who I believe is now down at George Mason University. Have we done anything to engage him—as someone who worked with the former Soviet hierarchy biological weapons, have we used him to help us build a coalition with the former colleagues of his?

The reason why I ask is that I had lunch with him several months ago and he told me that he thought we could be doing more in that area? And after all, if this is the group, and it was, that developed these biological weapons, as he identified in his book, *Biohazard*, it makes sense to me that we should work with him and establish a dialogue if the Russians will accept it with those former colleagues of his and entice them to help us understand the types of biological weapons that they did produce during the Soviet era.

Secretary CROUCH. We have used Mr. Alibek, we have consulted with him, we have gotten a lot of very valuable information from him, including, I believe, contacts with other people who are left in Russia involved in various aspects of the program.

We obviously need to be a little careful, I think, in how we do that, because diplomatically there is a mixed—there may be a mixed reaction to that in the recipient country. Frankly, we have had some difficulties in peeling back the onion, as you know, on the old Soviet BW program. And we continue to try to engage the Russians at every level on that particular subject. Mr. Alibek has been particularly useful, and we will continue to do that.

Secretary DESUTTER. Congressman, the State Department also has a relationship with Mr. Alibek. I have met with him a number of times myself. I find him to be very helpful.

Mr. WELDON. Very good.

Oh, Jim, I am sorry. Mr. Saxton.

Mr. SAXTON. That is okay. Let me just thank you, and I am sorry I have been in and out, but regarding the same subject that the chairman was just quizzing you on, this process—apparently, the CTR certification process, as you know much better than I, depends on the President certifying to Congress for the fiscal year involved that the proposed recipient country is committed to six items, the fifth of which is complying with all relevant arms control agreements, including Biological and Toxin Weapons Convention and the Chemical Weapons Convention, et cetera.

Now, Mr. Weldon and I have worked around and with Ken Alibek for a long time, and one of the things that we learned subsequent to being able to talk with him and do other research is that the Soviet Union never really complied with the biological weapons agreement that we had with them. We stopped and they kept right on churning.

And now it says here in our notes from staff that the Bush administration judges that Russia retains the offensive biological weapons program in violation of the Biological Weapons Convention. According to the White House, this judgment, in part, is based on the fact that research activities with potential offensive applications are ongoing at certain facilities, known to have been involved in the offensive BW work in the Soviet era. And, further, the intent and inherent ability of civilian facilities associated with the Soviet BW program to contribute to offensive BW-related activity remains.

How can the Administration certify to Congress that in fact the Russians are committed in the area of biological weapons if on the other hand this information is available to us about why they are not?

Secretary DESUTTER. Congressman, we have not certified that they are committed to compliance, and the primary area was in the biological weapons area and in the chemical weapons area. We have waived the obligation for the certification, but it is because we are concerned about those areas in particular.

In the BW area, we continue to believe that there is a problem there. We are looking for more openness in helping us to understand where that program has gone. In the chemical weapons area, we are not trying to understand down to a gnat's knee how many chemical weapons they have produced, but we do believe that there is additional documentation that they can assist us with.

They have made commitments to help us to understand what came from the old Soviet program so that we can understand where we are in terms of elimination so that we do not do elimination and then find out at the end that what we have gotten is only the tip of the iceberg. So we have not certified commitments compliance with regard to those two areas.

Mr. SAXTON. What does that mean in terms of the dissemination of U.S. dollars for these purposes?

Secretary DESUTTER. The President has signed a waiver that says that he believes it is in the national security interest to con-

tinue with those programs despite the fact that we cannot certify that condition.

Mr. SAXTON. Thank you.

Mr. WELDON. I thank the gentleman. Any other member that wishes to ask any other questions? The gentleman is recognized for five minutes.

Mr. TURNER. Thank you, Mr. Chairman. In listening to the discussion of the two plants and the funds that were invested, and then the one that has been completed or near completion and the facility is no longer going to be needed, and the other where design had occurred but yet the plant cannot go forward, and it looks now that even the need might be redirected. In listening to the discussion as to how that could be avoided in the future, I would appreciate if you would give me some clarification, because I was uncertain in listening to the discussions if you believe the cause of this was the result of miscommunication between the parties, whether it was that you were mislead or whether we are misdirected.

Because if we are misdirected, if we are proceeding down paths that are not really the result of cooperation and need, that obviously is one issue. If it is miscommunication, that is something you address one way; if you are being mislead, it is another.

Secretary CROUCH. I would say the two cases are different. I would say in the case of the heptyl plant that the Russians had an obligation—and I do not mean that in a legal sense, because if they had it in a legal sense, there might have been some legal recourse—but they had an obligation to come to us earlier and say, “We are expending the fuel in our Space Launch Program, the fuel that would have been disposed of through that heptyl plant.” They did not do that.

Certainly, shame on them for that, but I think shame on us as a result of the fact that we were not asking them either. In a way, we had a good program to look to make sure that the construction of the plant was being done properly, that it would be constructed and available on time. We were focusing on the completion of the plant without asking what is a very fundamental question: Will there be rocket fuel there to destroy when we are done?

Mr. TURNER. If you would for me, go back just a little bit further in the conception of moving forward with the plant, deciding that that was a need that needed to be fulfilled. At that point, what was their level of participation in determining that those funds would be expended for that purpose in the beginning?

Secretary CROUCH. They knew very well. I mean, in fact it was at their urging that we move down this path. I should let you know that these decisions were made, I believe, in the mid-1990s, and at that point they still had missiles in the ground. And, basically, their argument was—we were interested, obviously, in helping them destroy those missiles air frames.

To do that they said, “Look, we have got this fuel. Environmentally and in other ways we cannot—we have to have a place to put it, and we have to have a way of disposing of it.” So that, apparently, this plant was conceived based upon that problem: What do you do with the fuel that is left over after defueling those particular missiles?

Mr. TURNER. Okay. So then, as the process was ongoing, as you were saying.

Secretary CROUCH. The first stage was to store it, and the second stage was then to build the plant to essentially turn it into a commercial chemical at the end of the process. And I alluded, I think, in some of my remarks to the fact that one of the things I am now doing is going back and looking at each one of these projects and asking fundamental questions about, is that the best way to eliminate the capability? We all share the objective of eliminating the proliferation threat, but there are a number of different ways that you can do that, and I think that there may be more efficient ways to do it, and there may be ways that do not rely on the kind of situation that led us into this heptyl incident.

Mr. TURNER. You said the two are different, and we are—

Secretary CROUCH. Yes. The Votkinsk plant is different because there, I think, the Russians have been much more forthcoming, much more cooperative with information and have been trying to work very hard; or they were working hard to get the local permits and to get the local politics set up in such a way where we would be able to build the plant and we would be able to destroy the solid rocket motors in this case.

What happened there is that they were not able to do so. And so, in this case, I do not think it was a question of hide the ball; whereas I very much feel that in the case of the heptyl situation they had an obligation, at least a moral and ethical obligation, to come to us much earlier than they did to say that they were not going to be able to use this plant.

Mr. TURNER. Thank you.

Thank you, Mr. Chairman.

Mr. WELDON. Mr. Crouch, I assume that was an American firm that built that plant.

Secretary CROUCH. That is correct.

Mr. WELDON. Now, maybe you cannot answer this question, but I am certainly going to ask the IG when they come forward, have we looked at whether or not there was any effort on the part of the U.S. firm to continue building it, and perhaps they knew that perhaps the fuel was not going to be available and therefore may have been somewhat complicit? I am just putting that out there. That is a question we have to have answered.

Secretary CROUCH. Right. And I would like to hear the IG's response. I know our people have asked that question, and the response we got back was that they were as surprised as we were.

Mr. WELDON. It is just hard for me to understand that you could be working and not realize that—I mean if you get a plant online, you eventually know you have got to bring the fuel in. I do not even know who built it, but I know it is an American firm, so I think it is a question we are going to want the IGs to go into some depth with us when they come up next.

I want to thank you all. Your testimony and your commitment is commendable. Again, I will state for the record, I think I can speak for my colleagues on both sides, we are committed to these programs. There is no attempt, and there has not been an attempt, on this committee to take away or undermine these programs. Now, there may be members who have some concerns about spend-

ing DOD money for this kind of thing, but by and large I think the consensus on both sides is we need to do more. We need to expand.

In the legislation that I am going to ask you all to look at, which will be ready within a couple of days, I have got the draft up here, we would like your comments. We will expand it even more. But, in that process we want to make sure we have the accountability measures built in, not as a tool to use to kill the program, but rather as a way to bring more confidence among our colleagues who do not support these programs, who understand, hey, we do want to get value out of dollars.

Not to say there will not be future issues where money is misspent, but as much as we can put that oversight in there and do it in a logical way, not an unfair way, I will think you will find that this committee will continue to be supportive. Thank you all. We appreciate you being here today.

Secretary CROUCH. Thank you, Mr. Chairman.

Mr. WELDON. We will now hear from witnesses representing the DOD Inspector General and the General Accounting Office regarding the management and execution challenges facing these programs.

The committee welcomes Mr. Steensma and Mr. Christoff. We welcome you and look forward to your presentations today. Your full statements will be made a part of the record, and you may take whatever time that you choose to give your verbal presentation, and then we would like to have some questions.

So, Mr. Steensma, you proceed, followed by Mr. Christoff.

STATEMENT OF DAVID K. STEENSMA, DEPUTY ASSISTANT INSPECTOR GENERAL, AUDITING, U.S. DEPARTMENT OF DEFENSE

Mr. STEENSMA. Mr. Chairman, members of the committee, thank you for the opportunity to appear before the committee today and address your questions regarding the Cooperative Threat Reduction program. Overall, we can see that progress is being made in destroying weapons of mass destruction. However, in our review, we could see there is a need for additional oversight of the country-to-country agreements and more cooperative sharing of program risk.

Today, I will focus on one Cooperative Threat Reduction project. On March 18 last year, the Deputy Secretary of Defense asked our office to review the project to convert liquid propellant removed from the intercontinental ballistic missiles in the Russian Federation. We were also asked to provide advice on protecting the Department from similar situations on other United States-funded projects that rely on Russian assurances.

This program started in 1993 when Russia and the U.S. agreed to dispose of liquid propellant resulting from the disposal of intercontinental ballistic missiles. In Russia, the propellant is comprised of heptyl and amyl.

In 1995, the Department awarded a contract to Thiokol Corporation to construct the heptyl disposition system in Krasnoyarsk, Russia. And then in June 1999, Bechtel National Corporation was contracted to design the amyl disposition facility.

The heptyl facility was ready for testing in January 2002. It was at this point in time the Department learned heptyl would not be

available for conversion. Subsequently, a Russian Aviation and Space Agency official confirmed that the reprocessed heptyl was made available to the Commercial Launch Rocket Program and for missile development tests.

During our review, we looked at the commercial launches and we noted that between 1995 and 2002 Russia launched 102 heptyl fuel rockets and used an estimated 25,000 metric tons of heptyl. In our review, the first problem we noticed was the agreements that we had with Russia. They did not really require Russia to provide the heptyl and amyl for conversion. They did not include remedies for non-performance. They did not provide the Department with adequate access rights to determine whether heptyl and amyl were stored.

A second problem we noted was that the Department did not have adequate rights to examine the storage and transportation of the liquid propellant. Examinations were limited to what the United States and Russia had agreed upon. The examinations, and there were three of them that were performed, were limited to comparing the serial numbers on the intermodal containers against a list of the serial numbers the project manager provided.

The examination team did not verify the contents of the containers, because the team members did not have the equipment to safely examine the containers. Further, the examination team could not visit the Russian tank farm managed by the Ministry of Defense where the majority of the heptyl was stored.

A third problem we noted was inadequate identification and management of program risk. And I think Dr. Crouch touched on that a little earlier. The Defense Threat Reduction Agency, which is managing the project, looked at general and specific risks to the project plans. The general risks they came up with included cost, project access, time since last audit, site access restrictions and project status. However, the project plans did not identify as a risk that Russia might use the heptyl for other purposes.

Other possible uses of heptyl should have been identified as a risk for at least three reasons. First, Russia informed the Department in 1992 of its plans to use this heptyl for space launches. Second, the Russian Aviation and Space Agency did not control the heptyl; it was controlled by the Ministry of Defense. Third, the Defense Threat Reduction Agency did not have the authority to inventory that heptyl that Russia was storing at the Ministry of Defense site.

Concurrent with our review as one of the positive things we noted, and Dr. Crouch already spoke about it, was when the Office of the Under Secretary of Defense for Policy established an Executive Review Program to reduce program risk. The Executive Review Program is designed to increase and improve communication between the Department of Defense and Russian executive agents. We commend the office for that effort.

In July 2002, the Defense Threat Reduction Agency terminated the contract while the amyl disposition facility was still in the design phase. And in February this year, the Deputy Secretary of Defense approved the dismantlement and salvage where possible of the heptyl facility.

As of July last year, the Department had already obligated \$164 million to help assist Russia to dispose of the heptyl and amyl. This amount included \$94 million for the heptyl facility, \$17.8 million for the amyl disposition facility and \$52 million that was spent for equipment such as rail cars and transportation of the liquid propellant. These figures would be slightly different today.

We are currently reviewing four other projects in the Cooperative Threat Reduction program, and at the request of the Deputy Secretary we are also reviewing the organization arrangements within the Department for the Cooperative Threat Reduction program. We plan to issue reports on those reviews later this year, and we will provide them to the committee.

This has been an expensive lesson learned, and all parties involved in this project must learn that to maintain the trust of the American public in this program we need a more cooperative sharing of program risks.

Thank you for considering the views of the Office of the Inspector General on this program, and that concludes my oral statement.

[The prepared statement of Mr. Steensma can be found in the Appendix on page 597.]

Mr. WELDON. Thank you.

Mr. Christoff.

STATEMENT OF JOSEPH A. CHRISTOFF, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE TEAM, U.S. GENERAL ACCOUNTING OFFICE

Mr. CHRISTOFF. Mr. Chairman, thank you for inviting GAO. I am not here to talk about heptyl, but I am here to talk about the collective work that GAO has engaged for the Congress over the past ten years and to try to use that collective work to provide some observations about the progress that this program has made as well as the challenges. And I will summarize my prepared statement.

Let me talk about just the progress and three key areas where I think we have made progress. First is the fact that the United States has supported Russia's efforts to eliminate strategic nuclear delivery systems. Through the CTR program, the Department of Defense has helped transport and destroy excess Russian missiles, bombers and launchers. And, according to DOD, 24 nuclear ballistic missiles, 44 long-range heavy bombers, 395 intercontinental missiles have been destroyed as of 2002.

The second area is the Department of Energy has installed security systems to help protect 32 percent of Russia's weapons-usable nuclear material. Much of this progress has taken place at Russia's civilian sites and at naval fuel storage sites. The U.S.-installed equipment—sensors, video cameras, access control systems—has enhanced the security of Russian nuclear materials.

And, third, the United States has supplemented the income of thousands of weapons scientists so they will be less inclined to sell their skills to countries of concern. We previously reported that in the year 2000 about 6,800 senior weapons scientists were working on U.S.-funded research projects.

Let me turn to some of the challenges facing U.S. threat reduction programs in Russia. First, Russia has not always adhered to agreements to pay its fair share of program costs. And, second, it

has not always provided access to nuclear and biological sites so that the United States can enhance site security.

U.S. efforts at Mayak and Shchuchye best illustrate the challenges in getting Russia to fund its share of program costs. In 1992, Russia requested assistance from the United States to build a site to store nuclear material from dismantled warheads. DOD agreed to help Russia build a Pentagon-size facility at Mayak to store plutonium.

The Department initially limited its contribution to no more than \$275 million, which was one-half of the original cost estimate. However, Russia did not fund its share of the project, and DOD now plans to spend \$385 million to build a scaled-back version of the original facility.

The story is similar at Shchuchye. Since 1994, DOD has been negotiating with Russia to design and build a chemical weapons destruction facility. DOD has estimated that this facility will cost the United States \$890 million. To complete this project, Russia must invest an additional \$750 million for infrastructure, such as gas, water and rail lines. However, through 2001, Russia has provided \$25 million towards this effort.

U.S. efforts also face access problems. Over the years, DOD and DOE have worked with the Russian government to gain access to key nuclear and biological sites. However, Russia has not always provided the United States the access it needs to design security improvements, verify their installation and ensure their proper operation. Russia limits U.S. access on the grounds that it is protecting its national security. Let me provide three examples.

First, the United States has had long-standing concerns about security conditions at Russia's nuclear warhead sites. As we previously reported, the Russian Ministry of Defense has not provided U.S. personnel access to these sites. Russia's refusal to provide access has blocked DOD from installing important security improvements, such as fences, sensors and access control systems.

Second, DOE lacks sufficient access to building Russia's nuclear weapons complex. The Department requires access to these buildings to design security systems and confirm their installation. However, as we previously reported, the Russian Ministry of Atomic Energy has denied DOE access to 73 percent of the buildings with weapons-usable material. As a result, DOE is unable to improve security over hundred of metric tons of nuclear material.

And, finally, the Russian government has refused to grant the United States access to biological facilities by the Ministry of Defense. As we previously reported, the United States is concerned that offensive research may continue to take place at these facilities. U.S. officials have stated that they are concerned that dangerous pathogens could be stolen and used for illicit purposes.

Mr. Chairman, that summarizes my prepared statement. Any questions?

[The prepared statement of Mr. Christoff can be found in the Appendix on page 613.]

Mr. WELDON. Thank you.

Mr. Steensma, my first question is, and maybe I did not hear you properly. I thought you said in the 1992-93 time frame there was a feasibility study or some type of an analysis done, and one of the

possibilities was that Russia herself could use this fuel as a part of their commercial space launch program. Is that correct?

Mr. STEENSMA. No. What I said is we looked after the fact and after the Russians informed us that they did use this fuel for the space launch program. One of the things we learned in our review, and we learned it from the Russians, was that the facility they used to produce heptyl they stopped producing it in 1995. In 1996, they converted that facility to use heptyl that had already been put into rockets to reclean it so they could use it for their commercial launches.

Now, we have not been able to find anybody in DOD or the contractors that were aware of that. That is a very key factor in this whole issue.

Mr. WELDON. It sure is.

Mr. STEENSMA. Because the DOD officials who were also involved in the Russian space program and the Air Force and so on that are knowledgeable of it—they were not aware of this. In fact, we were told by scientists and so on that they did not believe anybody would ever take rocket fuel out of an old rocket that had been sitting around, reclean it and so on, because the risk is so high that your satellite and everything else would be lost.

So they did something that was beyond what people in DOD thought would happen, and we were not aware of that simple fact that they had closed the production facility, and they were not making it and they were using up what they had in the ground and what they were taking out of their missiles.

Mr. WELDON. But what confuses me is that if this was a viable way to get rid of this fuel, burning it up in the missiles for their commercial program, would not somebody have done a feasibility study before we invested tens of millions of dollars to say, well, one of the alternatives is to just let them use it for their commercial space program?

Mr. STEENSMA. Yes. We never saw a feasibility study on that.

Mr. WELDON. Well, do not we do feasibility studies before we put this kind of money into a program like this, or like an overview of what are the options for them with this fuel?

Mr. STEENSMA. Well, the original option for this was to—I think we were going to burn it.

Mr. WELDON. Right.

Mr. STEENSMA. Incinerate it. And then in the 1994 time frame they changed to, “Can you convert it to a usable byproduct that we could use for something else?” But we did not see any feasibility study, and it is a good point you make, that it is another area that was not looked at when they were originally trying to decide what to do with this.

Mr. WELDON. I mean, I—just maybe I am stupid or something, but I would think if you are going to commit that kind of money because you want to get rid of this fuel and do not know how to get rid of it, they propose burning it which is unacceptable, I guess, environmentally, and we propose basically building this plant to take care of it, but yet there is a possibility they could use it for their commercial launch program, which, by the way, one of our American companies is a partner in, I believe—

Mr. STEENSMA. Correct.

Mr. WELDON [continuing]. Do not we have scientists that would be able to say, "Well, hey, maybe they can use it in the commercial launch program"? I mean this does not make sense to me.

Mr. STEENSMA. Doesn't make sense to us also, sir. And like I said, the people we contacted and scientists, they did not believe you could take fuel out of a rocket and recycle it the way the Russians did and put up rockets into space with it.

Mr. WELDON. So they used all the fuel. Now, are they again manufacturing this fuel or are they not using it anymore? Did they start their production facility?

Mr. STEENSMA. They are in the process.

Mr. WELDON. Oh, my God. They are now in the process of re-starting the production facility.

Mr. STEENSMA. Right.

Mr. WELDON. Which we spent \$90 million to destroy because we did not think there was any value for it. Somebody has to have egg all over their face within our own scientific community for putting this money on the table. Both sides and our side. I mean we have got scientists that ought to be able to look at this and say, "Well, maybe it could be used for commercial space launch." And then the Russians are now restarting their production of this? That is absolutely crazy. Welcome to the Beltway. Thank you.

Mr. Skelton.

Mr. SKELTON. Let me ask each of you a very simple question. I want you to grade Russia, the former Soviet Union, on its cooperation in this program, A down to F.

Mr. Steensma.

Mr. STEENSMA. Is this just on this one project?

Mr. SKELTON. No, the whole program.

Mr. STEENSMA. Oh, the whole program. We do not have a great expansive knowledge on a lot of the other programs, but I would have to give them a C.

Mr. SKELTON. Well, on what you know.

Mr. STEENSMA. What I know, I would give them a C at best.

Mr. SKELTON. Mr. Christoff.

Mr. CHRISTOFF. A little bit more, maybe a C-plus, because there has been more cooperation, for example, on the chem site, the chem security site, but less so in many of the other programs.

Mr. SKELTON. Can you tell us why they do more cooperation in one area and less in others?

Mr. STEENSMA. The only way I would know from that is that you have different ministries involved in the Department, and some are much more cooperative with the Cooperative Threat Reduction program than others.

Mr. SKELTON. Thank you.

Mr. WELDON. Mr. Kline, questions?

Mr. KLINE. Thank you, Mr. Chairman. One brief question.

Mr. Steensma, you testified that you are currently reviewing four other projects and that the Inspector General is going to issue those reports later in 2003. Are we going to discover some other hundreds of millions of dollars that have been wasted? Have you got a preview for us?

Mr. STEENSMA. No. I think you heard about the solid rocket motor disposition facility and the problems with that already. We

are aware of that. I would add, one of things that we would say about that, and it goes to some of these other projects here—within DOD we have military construction and before you actually go all the way to design a project and spent \$80 million on it, in DOD they take it up to the 35 percent threshold. You do the design and then when you know you have got all the permits, you are going to have the funding and everything else is going to go right, then you go ahead.

That is definitely one of the things that needs to be done in future programs like this, because, like I think Dr. Crouch said, we cannot take this design elsewhere and really use it. And that is a key control. Instead of giving a contract to design and build all the way to the end, let's give them part of the contract to design it up to a certain level. Then when we know that the Russians have gotten the permits, have contributed their fair share, the other countries have done whatever they wanted to provide, then we put additional funds into it. It is a risk mitigating factor.

Mr. KLINE. And is that something you have recommended in the steps that we are taking then?

Mr. STEENSMA. We have not written that report but that would be one of the things we would recommend now that we have seen it.

Mr. KLINE. Okay. Well, we are looking forward to the report. The sooner the better. Thank you very much for your testimony.

I yield back my time, Mr. Chairman.

Mr. WELDON. I thank the gentleman.

Mr. RYUN.

Mr. RYUN. Thank you, Mr. Chairman. This question is for, I believe, Mr. Christoff. You mentioned at the end, I do not know if you gave it through your oral testimony but in your written testimony you talked a little bit about the use of photographs and videotapes. How effective is that procedure?

Mr. CHRISTOFF. I think both DOE and DOD are just beginning those kinds of efforts primarily because of some of the access restrictions, and I think it is a bit too early to tell but they are trying to make a concerted effort to do other things to gain access.

Mr. RYUN. Are those just pictures from the outside?

Mr. CHRISTOFF. Sometimes they can be pictures that were taken on the inside by the Russians and then given back to the U.S. officials to verify, like serial numbers from equipment and things of that nature.

Mr. RYUN. So they would take their own pictures and then give them to us. Okay. Another question I had, also in your written testimony, and, again, I do not know if it was in your oral testimony, you said, "As we reported in April 2000, the United States is concerned that offensive research may continue to take place at these facilities. Believe with the dangerous pathogens—U.S. officials stated that they are concerned that dangerous pathogen stocks could be stolen and used for illicit purposes." That was in April of 2000. Do you have any more information on that?

Mr. CHRISTOFF. Some of our ongoing work right now is just looking at the amount of biological facilities that we have secured. Have not made a lot of progress. We have secured about two facili-

ties, and DOD is working on securing two additional biological facilities, as well, out of, roughly, I would say, 40, 45 facilities.

Mr. RYUN. Okay. Thank you.

Mr. Chairman, just one comment too. It says here that the Russian Atomic Energy Ministry denied access to 73 percent of the buildings. What a concern that is, and I look forward to working with you. And I know that throughout my educational career, high school and college, that was much less than a C-grade. Seventy-three percent would have flunked you out of class. Thank you.

Mr. WELDON. I thank the gentleman, and I agree with him. Has that approved under Rummyantsev. I know the former head of Minatom, Mikhailov was kind of a tough cookie. Have you seen an improvement with Rummyantsev since he has taken over Minatom?

Mr. CHRISTOFF. In terms of the access?

Mr. WELDON. Yes.

Mr. CHRISTOFF. Slight improvement, but the percentage of weapons-grade nuclear material that has been protected has not gone up in the past two years.

Mr. WELDON. This really boggles my mind that, according to your statement, Mr. Steensma, from January of 1995 to June of 2002, and the plan was evidently stopped in 2002, Russia launched 102 heptyl-fueled rockets using an estimated 12,500 metric tons of heptyl. Now, excuse me, but if we are building a heptyl plant to destroy heptyl and the Russians are using it in 102 rocket launches while we are constructing it, somebody has to be responsible for putting that picture together.

Mr. STEENSMA. Right. And that is why we said the risk management that was there they were only looking at building the plant. They were not looking at the outside, that we are actually going to get the heptyl.

Mr. WELDON. I cannot believe that. I mean, did you look at internal communications of people prodding this along maybe and saying, "We have got to keep building it. Do not worry about what the Russians are doing." Was that a part of your investigation?

Mr. STEENSMA. Yes.

Mr. WELDON. Did you find nothing like that where they said, "We have got to build it anyway."

Mr. STEENSMA. Yes. We did not find anything like that. It was just—you know, it is an amazing thing. The Russians knew this.

Mr. WELDON. See what bothers me—all my colleagues have left now—but as a supporter of these programs with Russia, we come out and we take a shot at Russia. I am incensed at American scientists who were over there building this, who should have had the big picture of what they were building it for. We can criticize the Russians for stupidly using the fuel, but, gosh, we saw from 1995 to 2002 they had 102 launches using the fuel.

So, again, I want to lay the blame not just on the Russian side, but on the American side. And as I said in my opening statement, and I am going to tell Chairman Hunter when I see him, our own contractors got to understand when they are doing a project, one, we ought to do a feasibility study or some kind of an assessment before we commit this kind of money and look at alternatives, but, two, is we are building it and the fuel that we are attempting to ultimately get rid of is, as we are building it, being used for a com-

mercial launch program. And as they use it, obviously they are using more and more, and eventually there will be none. Well, somebody has to ask that question.

I mean it does not take a rocket scientist, does it, Mr. Steensma?

Mr. STEENSMA. No, it does not. It did not make any sense to us why nobody ever asked that basic question. And this is why Dr. Crouch said they have gone back and they have these executive sessions, they are trying to lay out all the risks. Because one of the things we noticed when we started looking at several of these projects is it is hard to tell what everybody is supposed to contribute. If you look at the annual report that is sent to you, it talks about how much money DOD is going to spend, whether it is more or less, how the project is going.

But it does not give you any visibility into what are the Russians actually putting up? Are they going to put up land permits, are they going to do this first for us, are we going to rely on the Germans to build us a road? And we think that type of thing, and they were trying to do this in the project, is the type of information that would be useful to the committee in the future. Because you can see these things going along and maybe not everybody thinks of every question, but the basic question, like you asked, when I sat down here somebody would have asked that question if it had been laid out here.

All the risk was on us, they did not provide anything for this project except the land. They were initially going to provide steam generators and they backed out of that, I think, in 1997. And we ended up putting the steam generators in to generate the electricity for it.

Mr. WELDON. Now, who were we building this for, was it Minatom, Ministry of Defense, the Space Agency? Who were we building it for?

Mr. STEENSMA. Okay. That is another issue that came up. Originally, it was the Ministry of Atom, and then it switched to the Ministry of Economics, and then it switched—that was in 1998. And then it switched to the Ministry of Russian Aviation Space Agency in the year 2000. So they have had three different ministries run this project for them.

Mr. WELDON. I do not know, and I go to Russia a lot. I have been there 31 times, and I am going to do some questioning on my own on my next trip, but I have got to think there are some Russians over there laughing their heads off at us, absolutely laughing their heads off at America that we spend almost \$100 million to build a plant with our money to take away a fuel that they are using while we are building it, in their commercial launch program, and we continue to build this plant.

Now, yes, we can blame the Russians, but I have got to also blame America here and the contractors who were involved with this. I mean, yes, maybe they had a contract to build a plant but—or maybe our administration people, somebody had to see the bigger picture of why are we building this plant, what is the ultimate objective, and how embarrassing it is that now the Russians are re-starting a plant to build the fuel that we build that plant to take apart. Talk about a comedy of errors.

Any other questions. I want to thank you for your great work.

Mr. Christoff, will you be making some recommendations to us on behalf of the GAO on ideas for our Cooperative Threat Reduction and Nuclear—I mean constructive ideas of things that we can do with the Administration?

Mr. CHRISTOFF. I think the report that we are going to be issuing in the next few weeks is taking a comprehensive look at security, and we have got a lot of recommendations in it to DOD and DOE.

Mr. WELDON. And I would also like you to look at this legislation we are working on, coming out before the fact, and give us some input as to whether we are moving in the right direction——

Mr. CHRISTOFF. Absolutely.

Mr. WELDON [continuing]. And what safeguards we should build in.

I want to thank you both for your testimony and for your service to the country and for your watch-dogging and bird-dogging of the taxpayers' money for us. Thank you.

This hearing now stands adjourned.

[Whereupon, at 4:41 p.m., the committee was adjourned.]

A P P E N D I X

MARCH 4, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 4, 2003

**OPENING STATEMENT OF CHAIRMAN DUNCAN HUNTER
HOUSE ARMED SERVICES COMMITTEE**

**HEARING ON U.S. COOPERATIVE THREAT REDUCTION AND
NON-PROLIFERATION PROGRAMS**

March 4, 2003

Today, the committee will receive testimony on the Department of Defense U.S. Cooperative Threat Reduction and Department of Energy Nuclear Non-Proliferation programs. These programs combined comprise about \$1.75 billion of the national defense budget being requested by the President for Fiscal Year 2004.

To help us understand the various issues surrounding this program, we will hear this afternoon from two panels of witnesses.

Our first witnesses are:

Honorable J.D. Crouch
Assistant Secretary of Defense for International Security
Policy

Ambassador Linton Brooks
Acting Administration, National Nuclear Security
Administration

Honorable Paula DeSutter
Assistant Secretary of State, Bureau of Verification and
Compliance

Welcome to all of you and we look forward to your
testimony.

Our second panel of witnesses will then address
implementation and execution issues with these programs. This
second panel will be comprised of:

Mr. David Steensma
Deputy Assistant Inspector General
Department of Defense

Mr. Joseph Christoff
Director, International Affairs and Trade Team
General Accounting Office

In 1991, following the dramatic end of the former Soviet
empire, the world – and the United States in particular – faced an

unprecedented historical opportunity to directly reduce the threats posed by the vast arsenal of strategic weapons the Soviet Union left behind.

Using imagination and persuasion, a key group of members of Congress gave birth to a series of initiatives designed to capitalize on this opportunity. By engaging the emerging former Soviet states with a novel bargain, we entered into new strategic partnerships designed to reduce this dangerous arsenal of strategic weapons by diverting U.S. defense dollars for this purpose.

Looking just at the DOD Cooperative Threat Reduction or CTR program, now twelve years and \$7 billion later, it is without dispute that this program has accomplished a great deal to live up to its objectives. However, it also clear that – as is the case eventually with most government programs – the CTR program has strayed from its original purpose at the same time that deeply

disturbing instances of mismanagement and negligence are emerging.

The purpose of this hearing today is to review the state of these programs by examining how they have evolved from the initial focus on the short-term high-priority elimination of former Soviet-era strategic nuclear systems, to today's constantly expanding scope which includes all manner of weapons of mass destruction-related activities, sometimes only tangentially related to the original purpose or to the principle of reducing direct military threats to the United States.

We shall also review how it is that the DOD CTR program bankrolled two hugely expensive building projects in Russia that have led to almost 200 million of U.S. defense dollars being wasted without achieving an ounce of threat reduction as intended.

Finally, we will examine the \$1.75 billion budget request for fiscal year 2004 which calls for an overall increase of 24 percent over the previous fiscal year, while at the same time reducing the funds proposed for the elimination of former Soviet nuclear strategic systems.

These questions and others deserve the careful attention of the Committee and this Congress. If we are to continue to support diverting billions of dollars from the U.S. defense budget for these activities, we must ensure that the investment can be directly traced to an actual tangible reduction in military threats. This is the context which we must use to evaluate this program, as we have an obligation to ensure that the original “novel bargain” of 1991 still passes muster today.

I now recognize the committee’s ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

Without objection, the entirety of the prepared statements of our witnesses will be entered into the record.

Secretary Crouch, the floor is yours.

[Following completion of first panel]

We will now hear from witnesses representing the DOD Inspector General and the General Accounting Office regarding the management and execution challenges facing these programs.

Mr. Steensma and Mr. Christoff, welcome to the committee and we look forward to your presentation.

Mr. Steensma, why don't you proceed, followed by Mr. Christoff.

**Opening Statement for The Honorable Ike Skelton (D-MO), Ranking
Member, Committee on Armed Services, U.S. House of
Representatives**

**Hearing on U.S.-Russian Cooperative Threat Reduction and
Nonproliferation Programs**

4 March 2003

Thank you, Mr. Chairman. I'd also like to welcome Secretary Crouch, Ambassador Brooks, and Secretary DeSutter and thank them for their testimony.

September 11th drove home what we have known for more than a decade-that the horrors to terrorism would become unthinkable if terrorists were to acquire weapons of mass destruction. Preventing such a situation requires a comprehensive strategy and sustained commitment.

At a time when the administration is considering armed action to keep Iraq from developing nuclear weapons and when we are worried about North Korea's potential capability to produce a half-dozen by June, programs to protect and destroy the tens of thousands of

weapons of mass destruction already in Russia are critical. The news is filled with debates about the cost of a war in Iraq-with most estimates ranging between \$60 and \$95 billion. But for approximately \$1 billion per year, the Departments of Defense, Energy, and State have racked up real successes in diminishing the threat that terrorists will get weapons of mass destruction.

These programs are crucial and I applaud the administration for supporting them. In doing so, I recognize that these programs are difficult to administer. We are dealing with a very cumbersome and bureaucratic government that is not disposed toward openness. There are conspicuous examples where these projects have failed or been abused. I support understanding the reasons why there have been difficulties, doing what we can to prevent future problems, and ensuring that taxpayer dollars are wisely invested.

But I also think we can do more. There is still a great deal of proliferation risk. We should be thinking about how to eliminate this risk in additional ways. Where could we make more of a difference with more money or more authority?

Continuing this program does not mean that we won't continue to expect more from our partners in the former Soviet Union. They must contribute to the security of their weapons and help ensure that the United States is given access to the sites and materials it needs to execute these programs. But we must always keep in mind that these programs serve U.S. national interests. Efforts to improve Russian compliance must not undermine the benefits we gain from continuing these efforts.

Thank you, Mr. Chairman.

**Testimony of Assistant Secretary of Defense for International Security Policy
Dr. J.D. Crouch II
Before the Committee on Armed Services
House of Representatives
March 4, 2003**

COOPERATIVE THREAT REDUCTION PROGRAM

Thank you for inviting me to discuss the Department of Defense Cooperative Threat Reduction program (CTR), and the President's request for fiscal year 2004 CTR funding.

The CTR program is a product of Congressional action – the Soviet Nuclear Threat Reduction Act of 1991, which directed DoD to assist the states of the former Soviet Union in dismantling, destroying, consolidating and securing Soviet-era weapons of mass destruction and means of their delivery. As we think about how to change CTR to meet changed security challenges, we have to look back carefully over a record of accomplishment, yet one with many hard lessons. As we plan for the future, we must look ahead with a realistic vision of what can and cannot be done with CTR recipients.

This committee has been instrumental in helping DoD focus its CTR efforts on projects with the greatest potential benefit to US security. The oversight role you have played has also helped ensure that our CTR investments have been effective and used for their intended purposes. Your involvement has also helped us convince recipients of CTR assistance that they need to abide by their commitments.

Old and New Factors Guiding CTR. As we look ahead, there are a number of key factors that have not changed since the first days of CTR implementation:

- Russia continues to hold the single largest stock of WMD in the world, representing a significant proliferation risk to the United States, its friends and allies.
- FSU states may be willing to eliminate or secure some of their WMD materials, but are not doing so on their own.

We also note several new factors as we plan for the future, and take account of many lessons learned.

- Proliferation of WMD to terrorist organizations is now as much of a threat as proliferation of WMD to rogue states.
- Porous borders in the FSU offer the potential for illicit transit of WMD and related materials to terrorist organizations and their sponsors.
- The September 2002 *National Security Strategy* and the December 2002 *National Strategy to Combat Weapons of Mass Destruction* highlighted the significant role

nonproliferation and threat reduction programs play in preventing rogue states and terrorists from acquiring WMD and related materials, technology and expertise.

- We now know that every assumption, expectation and schedule for a project must be verified repeatedly.

We have learned that, with respect to Russia in particular, there are difficult challenges to providing assistance that is designed first and foremost to serve United States national security interests.

Confidence and Credibility. The year since I last testified to Congress on CTR has been a difficult one for the program.

At this time last year, Russia had just told us that a facility built with approximately \$106 million in CTR assistance would have no use. The missile fuel it was intended to neutralize had been diverted to the Russian commercial space program. The waste in US tax dollars represented by the so-called “heptyl” facility situation was inexcusable.

The heptyl situation was a wake-up call. We impressed on the Russian government at all levels the gravity of the situation that their negligence had created. But more importantly, we looked inward at how the program has been managed, and found ways to better protect CTR investments.

- We asked the DoD Inspector General to review the program. The first phase of the IG’s report was completed in September 2002. OSD has worked closely with the IG, which has joined the CTR executive review team in meetings with Russian officials.
- We instituted a program of semi-annual “executive reviews” with Russian agencies that serve as executive agents for CTR projects. These reviews, of which two have already been conducted, revalidate project plans and permit more direct, senior level input on CTR to the Russian bureaucracy.
- We analyzed all pending CTR projects for risks that were similar to the heptyl facility situation – reliance on good faith Russian promises or assumptions – and are currently working to convert such undertakings to formal, legal agreements. At least two of these four agreements should be signed by the end of this month.
- In the wake of the heptyl situation, we reaffirmed some key management practices that have protected US investments in the past: CTR does not provide direct cash grants to recipient governments; most CTR prime contractors are US companies, and when any Russian contractors are used today, they are hired on a firm, fixed-price basis.
- We have also reaffirmed the need for transparency and access to confirm requirements for, and use of, CTR assistance. For example, we pressed the Russian MoD for agreements guaranteeing access to loosely guarded nuclear weapons storage sites and transshipment areas where CTR would like to assist with security and

inventory control systems. The site access agreements were recently approved as a prerequisite for CTR assistance.

- In addition, negotiations continue on an agreement guaranteeing DoD access to the fissile material storage facility being built with CTR assistance. This agreement will provide for access during loading of the facility and permanently thereafter to ensure that only weapons-grade material is being stored.

Another illustration of the difficulty of dealing with another country's infrastructure relates to local politics. DoD officials were informed that local leaders in Russia's Udmurt Republic had reversed their prior position and would bar construction of a solid-rocket motor destruction facility. This facility was intended to support the ambitious decommissioning schedule for Russia's mobile SS-24 and SS-25 missiles. CTR had invested some \$14 million in the Udmurt site, near the city of Votkinsk. CTR had also invested approximately \$85 million in designs and testing for the rocket motor disposal facility to have been built at Votkinsk.

The Votkinsk situation is similar to the heptyl situation in one respect. A significant US non-proliferation investment was jeopardized.

However, the Votkinsk situation is different from the heptyl situation in many other ways. Our information is that the Russian federal government made significant attempts to secure the necessary land and environmental permits from local officials. In addition, the Russian executive agent has come up with its own alternatives to the Votkinsk facility, as well as some of its own funding. Moreover, Russian officials were fully transparent with us regarding the local political problems as soon as they began brewing last year. Finally, over 400 SS-24 and SS-25s are still scheduled to begin decommissioning later this year: as opposed to the heptyl situation, there remains a proliferable commodity that the US has an interest in destroying.

A final decision on whether or how CTR might provide additional assistance to facilitate these goals has not been made. Yet, we are again confronted with a potentially significant loss of CTR investment.

The past year has been extremely frustrating. It serves as a reminder that we need to do better internally; I think we have moved quickly to put better management controls in place. But the past year also highlights how hard it is to pursue this type of program in a state like Russia, even if we do everything correctly.

Implementing Lessons Learned. One of the key lessons learned is that CTR recipients are not always all alike. The Administration's recent implementation of the program recognized that in the case of Russia, we cannot conduct business as usual. For example,

for fiscal year 2002, Russia was not certified as eligible for CTR assistance, while all other states for which the funding was requested were certified.

Russia was not certified because the President could not confirm Russian compliance with biological and chemical weapons agreements as required by the National Defense Authorization Act of 1993. This was a departure from years past, and all new assistance for Russia was suspended for much of 2002.

Congress granted the President's request for authority to waive the certification requirements. The President exercised this authority with respect to Russia for 2002 and 2003 because the benefit to US national security of CTR assistance was deemed to outweigh the concerns about Russian behavior. Obviously, we take the authority Congress gave us to waive these restrictions very seriously, and must continually weigh the benefits of executing the waiver against the costs.

This Administration revised CTR's four central objectives last year. The current objectives are:

- Dismantle FSU WMD and associated infrastructure;
- Consolidate and secure FSU WMD and related technology and materials;
- Increase transparency and encourage higher standards of conduct;
- Support defense and military cooperation with the objective of preventing proliferation.

These revised objectives guide CTR activities as we ensure the program also supports the global war on terrorism through defense and military cooperation on border security, and the biological and chemical weapons proliferation prevention initiatives.

CTR can make a valuable contribution to the global war on terrorism. We have taken the expertise developed from WMD dismantlement in the FSU and are turning it toward some of the most important threats President Bush has outlined in the fight against terrorism. We are expanding the biological weapons proliferation prevention program and focusing on the most proliferable types of chemical weapons. We are also leveraging CTR's experience to address the porous borders in the non-Russian former Soviet, a potentially significant trafficking area for WMD.

We are also looking beyond Russia and the Soviet legacy. The Administration is proposing legislation that would give the President authority to use up to \$50 million annually in CTR funds outside the FSU to resolve critical proliferation threats, or to take advantage of opportunities to achieve long-standing nonproliferation goals. This proposal recognizes that the world has changed since CTR began and that the program should change with it to best protect US interests. We contemplate using this authority

where DoD has a sizable presence, or in close coordination with other departments to maximize the expertise US agencies can bring to bear against a proliferation threat.

Russia. The United States would like to see Russia become a full partner in the Global War on Terrorism and combating WMD proliferation; comply fully with its arms control and nonproliferation obligations; and safely and securely store its nuclear weapons, fissile material and dangerous pathogens. This is a vision for Russia, parts of which CTR may help realize. The reality tells us that we must be very cautious, and find new ways to protect US investment in CTR projects.

Russia: Strategic Offensive Arms Elimination (SOAE). The FY 2004 budget request includes \$57.6 million for SOAE, a \$12.5 million decrease from FY 2003, reflecting a carryover of unobligated funds from previous years. The carryover results principally from the 2002 delay in certifying Russia for CTR assistance. SOAE assists Russia in eliminating strategic delivery systems and infrastructure. SOAE assistance is framed as an incentive for Russia to draw down its former Soviet nuclear forces. One of the larger project areas under SOAE relates to Solid Propellant ICBM/SLBM and Mobile Launcher Elimination, where \$25.9 million is requested for FY 2004. \$18.7 million is requested for SLBM Launcher Elimination and SSBN Dismantlement. This is a \$7.3 million increase from FY 2003, resulting from our plan to dismantle two SSBNs in FY 2004 as opposed to one in FY 2003.

CTR's Nuclear Weapons Storage Security program assists Russia with safe and secure storage for nuclear warheads. We requested \$48.0 million in the FY 2004 budget for this program. The bulk of the funds, \$47.9 million, are directed toward the Site Security Enhancements project, which provides urgently needed security enhancements to Ministry of Defense (MOD) nuclear weapons storage sites and temporary transshipment points for movement of deactivated warheads. As noted above, we concluded agreements with the MoD last month that will guarantee CTR personnel the access necessary to oversee security upgrades at these sites.

We have requested \$23.2 million for the Nuclear Weapons Transportation Security program, which provides safe and secure transport of nuclear warheads from deployed sites to dismantlement or enhanced security storage sites. This is a \$3.6 million increase over the FY 2003 budget. The increase will support Russia's improved efforts to draw down its nuclear stockpile pursuant to the Moscow Treaty. The FY 2004 budget request for the Weapons Transportation Safety Enhancements project area is \$5.7 million greater than for FY 2003. This will enhance safe and secure transport, to include purchase of ten replacement warhead transportation cars. Russia agreed to destroy two unusable warhead transport cars at its own expense in exchange for each new car CTR provides.

To assist Russia in providing a secure, centralized storage facility for fissile material removed from nuclear weapons, CTR is building a Fissile Material Storage Facility (FMSF) at Mayak. This project is over 92 percent complete and requires no additional funding. DoD is negotiating a transparency agreement to ensure that only weapons-grade material is stored at the FMSF.

Russia: Biological Weapons Proliferation Prevention (BWPP). Overall funding requested for the BWPP program remains roughly at the FY 2003 level, \$54.2 million. FY 2003 increases in BWPP funding reflected the Administration's interest in combating biological weapons proliferation as part of the war on terrorism. DoD anticipates obligating approximately \$31 million in FY 2004 for BWPP activities in Russia.

These activities will include additional cooperative research projects with Russian scientists and institutes that are designed to prevent proliferation of BW expertise, enhance transparency, improve standards of conduct and leverage the extensive expertise of the former Soviet bioweapons complex. Additional efforts are planned to dismantle and eliminate BW infrastructure in Russia as well as projects to enhance security against theft or accidental release of dangerous pathogens.

Russia: Chemical Weapons Destruction. The budget request for the Chemical Weapons Destruction (CWD) program in Russia is \$200.3 million, an increase of \$67.4 million. This reflects the President's direction to accelerate progress at the Chemical Weapons Destruction Facility (CWDF) project in Shchuch'ye (\$190.3 million). The Shchuch'ye project is a CW destruction facility for nerve agent-filled, man-portable, tube and rocket artillery and missile warheads. This facility will be able to destroy 1700 metric tons of nerve agent per year. \$126.6 million of FY 2003 funds will be obligated for Shchuch'ye, provided that Russia agrees to destroy all nerve agent weapons at Shchuch'ye. We expect to complete this agreement this month. The President sought and Congress granted authority to waive certification requirements related to the Shchuch'ye project. The President exercised this authority on January 10, 2003 because of proliferation concerns about the types of munitions to be eliminated there. However, the Administration continues to press Russia for a full and complete accounting of its chemical weapons stockpile, in addition to completing a practical plan for eliminating nerve agents.

CTR continues to assist Russia with dismantling and demilitarizing the former CW production facilities at Volgograd and Novocheboksarsk. CTR is also enhancing security for highly proliferable chemical weapons stored at Planovy/Shchuch'ye and Kizner. DoD already has provided interim security enhancements, and is in the process of installing comprehensive security upgrades that will be completed in 2003.

Non-Russian FSU States As with Russia, the vision for CTR assistance in the other FSU states is tempered by a mixed record of responsiveness. There are a number of areas in which certain FSU states have demonstrated a significant commitment to cooperation and transparency. For example, Kazakhstan and Ukraine are free of nuclear weapons with

the help of CTR assistance. On the other hand, final elimination of SS-24 missiles in Ukraine has taken far longer than originally foreseen.

Non-Russia FSU States: Elimination of Strategic Offensive Arms and WMD

Infrastructure. Ukraine. We have requested \$3.9 million for CTR's Strategic Nuclear Arms Elimination program area in Ukraine. This will help fund construction of an SS-24 Propellant Disposition Facility for removal and elimination of solid fuel from SS-24 missile motors. DoD has successfully removed all SS-24 missiles from their silos, and eliminated all launchers and launch centers. The SS-24s have been disassembled and safely stored since January 2002. CTR will use prior year funds to continue elimination of Tu-142 Bear and Tu-22M Backfire bombers and KH-22 nuclear capable air-to-surface missiles.

For DoD's WMD Infrastructure Elimination program area in Ukraine, no new funds are requested for FY 2004. DoD will use FY2003 funds to eliminate nuclear weapons storage sites, liquid missile propellant facilities, and heavy bomber airbase infrastructure.

Kazakhstan. CTR's WMD Infrastructure Elimination program area assists Kazakhstan in providing safe and secure storage of fissile material and in destroying former nuclear weapons and liquid propellant storage sites. We are requesting no additional funding in FY 2004 and will rely instead on FY 2003 funds.

Non-Russian FSU States: Biological Weapons Proliferation Prevention (BWPP).

DoD has concluded Biological Threat Reduction Implementing Agreements with Uzbekistan and Georgia and negotiated an agreement with Ukraine. We are also providing BWPP assistance to Kazakhstan under the WMD Infrastructure Elimination agreement. DoD already conducts BWPP projects in Kazakhstan and Uzbekistan and is planning to begin activities in Georgia and Ukraine in 2003.

- In Kazakhstan and Uzbekistan, CTR's BW Infrastructure Dismantlement and Restructuring program assists with destruction of WMD-related infrastructure. In Kazakhstan, CTR is helping eliminate the anthrax production facility in Stepnogorsk. The project has now entered into phase IV, which includes dismantlement of the facility. In Uzbekistan, CTR has implemented phase I of the destruction of the Soviet BW testing facility on Vozrozhdeniya Island. We believe this phase fully destroyed viable anthrax spores left in approximately 100 tons of anthrax weapons agent the Soviet military buried near the laboratory complex on the island in the late 1980's. DoD is working with Uzbekistan to determine whether additional work at Vozrozhdeniya is required.
- CTR's Collaborative Biological Research (CBR) projects in Kazakhstan and Uzbekistan help prevent the proliferation of BW expertise, enhance transparency,

improve standards of conduct of former BW scientists and leverage their extensive expertise. There is currently one project in Kazakhstan and two in Uzbekistan. CTR plans to expand CBR projects to Ukraine and Georgia.

- In Kazakhstan, two CTR Biosafety and Biosecurity projects are (1) characterizing and protecting strain collections of dangerous pathogens at the Scientific Research Agricultural Institute in Otar, and (2) designing and constructing an earthquake- proof building to secure dangerous pathogens at the Kazakh Institute for Research on Plague Control in Almaty.
- The FY 2004 request calls for \$23 million for CTR's Bioattack Early Warning and Preparedness project. This new program area received 42% of the overall FY 2004 budget request for the BWPP program. Under this project, CTR will expand research cooperation with Ministry of Health institutes in Kazakhstan, Uzbekistan, Georgia and Ukraine to build infectious disease surveillance networks that will allow these countries and the US to better detect, characterize and monitor disease outbreaks and to consolidate pathogen collections in secure, DoD-accessible, institutes.

Weapons of Mass Destruction Proliferation Prevention Initiative (WMD-PPI). \$39.4 million is requested in FY 2004 to support this initiative, which is designed to enhance *non-Russian* FSU capabilities to prevent, deter, detect and interdict illicit trafficking in WMD and related materials. DoD is collaborating with other US agencies to develop an overarching US government strategic plan for export control and border security assistance to FSU states that will encompass assistance provided through this initiative. This initiative will build on the foundation created by the CTR Defense and Military Contacts program.

The 9/11 terrorist attacks, subsequent discoveries of terrorist plans to obtain WMD, and the need for a rapid expansion of border security efforts in Central Asia underscored the role that DoD could play through CTR in support of the war on terrorism. This initiative is designed to develop self-sustaining capabilities, not merely to provide equipment and services. This vision will require close coordination with other US agencies to ensure that recipient countries are developing the law enforcement and regulatory capabilities necessary for a comprehensive approach to WMD border security.

In implementing the WMD-PPI, DoD has developed projects designed to produce comprehensive operational capabilities based on the interagency approved US strategic plan and country/regional requirements. These projects will provide not only equipment and related training, but also self-sustaining operations and maintenance capabilities.

DoD is developing the following prototype projects through the WMD Proliferation Prevention initiative:

- A Caspian Sea maritime control capability in cooperation with Kazakhstan and Azerbaijan to interdict illicit trafficking in WMD and related materials.
- Supporting Ukraine's plans to develop mobile response teams to address WMD trafficking incidents between ports of entry on the land border with Russia.
- Completing deployment of fissile material portal monitors at key border crossings in Uzbekistan to detect illicit trafficking in nuclear materials.
- Developing a Regional Training Center to provide realistic training on border control operations and procedures to prevent illicit trafficking in WMD and related materials.

Conclusion. Since its inception, CTR has assisted with deactivation or elimination of a total of 6032 warheads and 847 ballistic missile launchers, 101 heavy bombers, 25 ballistic missile submarines, 510 air-to-surface nuclear missiles and 856 ballistic missiles. These are important achievements. The Administration is also acutely aware of the difficulties encountered by the program. The reality is that this program, which we undertake for our own national security purposes, comes with costs that we must bear if we continue to take advantage of this approach to threat reduction. This Administration believes that it is worth the cost. As we urge your continued support we pledge our efforts to ensure that additional non-proliferation achievements within, as well as outside, the FSU are won through responsible stewardship of US resources.

**Statement of Linton F. Brooks
Acting Under Secretary of Energy and Administrator for National Security
National Nuclear Security Administration
U. S. Department of Energy
Before the
House Armed Services Committee
U. S. House of Representatives**

March 4, 2003

Thank you, Mr. Chairman and members of this Committee, for the opportunity to appear before you today to discuss the National Nuclear Security Administration's (NNSA) nonproliferation activities in Russia. Before addressing our specific activities, however, I want to say how critically important I consider this Committee's contributions, both past, present and future, to the United States efforts to stem the spread of weapons, materials, technology, and expertise. I appreciate the Committee's support and look forward to our continued work together.

I also want to note that progress on our nonproliferation activities in Russia is benefitting immensely from the cooperative relationship with Russia that the President has so masterfully crafted with his counterpart, President Putin. In supporting this new relationship, both my programs and the United States as a whole have benefitted greatly from the support and leadership of the Secretary of Energy, Spencer Abraham. On each of the five occasions that Secretary Abraham has met with Russia's Minister of Atomic Energy Alexander Rumyantsev, he has worked hard to accelerate and expand our programs in Russia and to clear away bureaucratic obstacles to progress on issues such as access rights and taxation concerns. And just last month, I sent my Acting Deputy Administrator for Defense Nuclear Nonproliferation to meet with senior Russian officials from both the Ministry of Atomic Energy as well as the Ministry of Defense to

reiterate our commitment to removing obstacles and to maintain our momentum. The seriousness by which we take this threat is further reflected in the President's FY04 budget request for the NNSA's nonproliferation program, which is the largest in its history and a 30% increase over our FY03 budget.

Although I feel confident about where our relationship with Russia is headed and the progress we are making, we are hardly out of the woods. As the President stated in his State of the Union address, Atoday the gravest danger in the war on terror, the gravest danger facing America and the world, is outlaw regimes that seek and possess nuclear, chemical, and biological weapons... They could give or sell those weapons to terrorist allies, who could use them without hesitation. In the hands of terrorists or others who wish to cause the United States harm, these weapons of mass destruction would have unimaginable consequences. This is why the NNSA is working harder than ever to ensure that nuclear weapons and its materials are secure at their source and the world's largest stockpiles of weapons-usable nuclear materials and warheads remains securely in Russia. Thus, the speed and effectiveness by which the NNSA's nonproliferation programs achieve their objectives of reducing the proliferation risk of nuclear materials, warheads, technology and expertise in Russia and other states of the former Soviet Union directly contributes to the security of the United States.

Now, I want to describe specifically what we are doing in Russia to address this threat.

International Nuclear Materials Protection and Cooperation

First and foremost, the NNSA is working to improve as quickly as possible under-secured nuclear weapons-usable material and warheads in Russia, amounting to approximately 600 metric tons (MTs) of fissile material and thousands of warheads. In addition, we have secured and continue to secure trucks and railcars carrying nuclear weapons-usable materials through hardening and other measures; and we are taking steps to consolidate nuclear material at fewer locations, reducing its vulnerability to theft or sabotage.

As a result of our acceleration efforts, the NNSA now has a target date of 2008 for the completion of security improvements to the under-secured weapons-usable nuclear material in Russia, therefore transitioning to a sustainability phase two years ahead of schedule.

In addition to weapons-usable material, the NNSA is working in close coordination with the Department of Defense to improve the security of thousands of under-secured Russian nuclear warheads. Specifically, we initiated cooperation with the Russian Navy to improve the security of its nuclear warheads in 1998 and plan to complete our security improvements by 2006. In late 2002, Russia's Strategic Rocket Forces requested cooperative assistance from the NNSA to improve the security of their nuclear warheads that are suffering from similarly poor security, and work has already begun.

Regarding border security cooperation, the NNSA is working with the Russian Federation State Customs Committee to install radiation detection equipment at Russia's borders in order to prevent

nuclear smuggling and illicit trafficking. NNSA is in the process of accelerating these efforts by installing radiation detection equipment at approximately 20 additional strategic transit and border sites in Russia by the end of this year. Installations in Central Asia and the Caucasus are also underway, and we have taken responsibility for maintenance of detection systems in 19 countries (in Eastern/Central Europe, Central Asia) previously managed by the State Department. The same equipment that detects weapons usable materials will also detect source materials that could be used in a radiological dispersal device (RDD).

On this subject, we have also taken preliminary steps to secure the most vulnerable radioactive source materials - Soviet-origin Radioisotope Thermal-electric Generators (RTGs), seed irradiators, and other devices abandoned in Russia and other countries of the Former Soviet Union. We are undertaking this work as part of a Tripartite Initiative with Minatom and the International Atomic Energy Agency (IAEA). Our strategy is to focus on the most potent, long-lived, and dispersable material in the most vulnerable conditions. However, we have no desire to let this work expand unchecked. Our approach is to address extremely vulnerable cases with low-cost upgrades while focusing international attention on the problem and leveraging the resources of all countries to reduce risks globally. We are co-sponsoring an international conference on RDDs with the IAEA next month to increase international focus on this issue. Finally, as I said earlier, we believe detection of trafficking in source materials is a key component in our strategy, and our Second Line of Defense Program is well positioned to meet this objective.

The NNSA is also helping to consolidate nuclear material in Russia by reducing the number of locations where this material is stored, which in turn greatly reduces its vulnerability to theft or sabotage. For example, by the end of 2003, we will have removed all weapons-usable material from an additional 24 buildings, thus improving security. Under this program, we have also converted 3.5 MT of HEU to LEU and we hope to eliminate an additional metric ton by the end of this year.

Russian Transition Initiative (RTI)

The NNSA also addresses the risk of adverse migration of WMD expertise from the former Soviet Republics through its Russian Transition Initiative (RTI). The RTI partners former Soviet weapons scientists with U.S. industry partners on projects selected for their commercial potential, while also assisting the Russians in downsizing their nuclear weapons complex and opening the closed nuclear cities to commercial ventures. Through its highly successful Initiatives for Proliferation Prevention (IPP) program, RTI has garnered over \$125 million in matching resources from U.S. industry partners. This amounts to \$3 in private sector funds for every \$2 in U.S. Government funding. In addition, private investment funding has contributed over \$90 million to further augment its technology commercialization efforts. It is safe to say that no other nonproliferation program in the US Government has attracted the level of private equity funds to help commercialize project results than has RTI.

By finding commercial, peaceful employment for former Russian weapons scientists, we not only dramatically reduce the talent pool available to states that would employ those individuals for

evil ends, but we also create new sources of technology and commercial opportunities for U.S. industry.

These scientists are involved in many programs that will play an important role in how we address today's threats. For example, needle-free injector systems for mass inoculations; light-weight radiation detectors to detect smuggling of nuclear materials; high-technology, high-volume filters to remove dangerous pathogens from public water supplies; and other innovative projects will have direct relevance to our counter-terrorism efforts and will be a tremendous resource to have on our side, as we seek innovative solutions to the threats that confront us today.

RTI's nuclear weapons complex downsizing efforts has also had a highly successful year. The program has negotiated an access arrangement that now allows for regularized and expedited access to the closed cities. The Avangard nuclear weapons assembly/disassembly facility no longer exists as a separate entity. Weapons assembly has ceased and the remnants of the Avangard operation, including conversion activities, are being absorbed into the All-Russian Research Institute for Experimental Physics (VNIIEF). The transition of workers and delineation of responsibilities will be careful and gradual, and will continue at least through May. The closure of Avangard fulfills a commitment made by MinAtom to RTI in August of 2001. Conversion efforts by the RTI at Avangard are acknowledged by the Russians to have accelerated the promised closure.

In sum, it is fair to say that NNSA is in its strongest position it has ever enjoyed, with respect to the access we stand to gain and our ability to facilitate the downsizing of Russia's nuclear complex

Warhead Safety and Security Exchange Agreement

NNSA is the executive agent for the 1994 U.S.-Russian Federation Government-to-Government Warhead Safety and Security Exchange Agreement in which the NNSA, Department of Defense and the U.S. National Laboratories engage the Russian Ministries of Atomic Energy and Defense and the Russian Institutes in unclassified technical cooperation in three areas. First, joint work is conducted to enhance the safety and security of nuclear weapons during the process of dismantlement, as well as during storage and transportation. Second, technologies are developed and tested to provide for more effective measurement tools during the dismantlement process, which may have the potential to enhance the transparency of nuclear reductions. Third, cooperation is ongoing to explore technologies and procedures with applications for counterterrorism involving nuclear weapons and nuclear materials. In this third area cooperation ranges from the investigation of the dispersal of nuclear materials, to vessels that can be used to contain the detonation of high explosives, to the development of advanced monitoring equipment for the detection of nuclear materials and high explosives.

Elimination of Weapons Grade Plutonium Production (EWGPP)

NNSA is also working hard to eliminate weapons-grade plutonium production in Russia by shutting down three reactors in Russia that are still producing plutonium and by providing the local

communities with fossil fuel plants to replace their required heating and electricity needs. In FY2003, responsibility for the program transferred from DoD to NNSA, and next week Secretary Abraham and Minister Rumyantsev will sign the two plutonium production shut-down agreements next month in Vienna.

Highly Enriched Uranium Transparency Program

We also continue to support the Highly Enriched Uranium Transparency Program that monitors the conversion of Russian weapons-grade uranium into low enriched uranium for use as commercial reactor fuel in the United States. Under this program, 171 MTs of Russian highly enriched uranium has been down blended to LEU in Russia and delivered to the U.S. as of December 2002. This is equivalent to the destruction of approximately 6,500 nuclear warheads.

Plutonium Disposition

We are also ramping up our efforts to dispose of 34 metric tons of Russian surplus weapons-grade plutonium, as well as an equal amount in the United States. Both the United States and Russia will turn this material into mixed oxide, or MOX, fuel, for use in existing nuclear reactors. We are working hard to be able to begin building facilities, both here and in Russia, for making the MOX fuel in FY 2004. As a result of these efforts, we will eliminate enough plutonium to make thousands of nuclear weapons.

Accelerated Materials Disposition (AMD)

A separate but complementary effort to disposing of Russia's 34 MTs of surplus material is a new initiative developed by Presidents Bush and Putin at the 2002 Moscow Summit. This new initiative involves multiple options to dispose of additional Russian highly enriched uranium and plutonium over and above materials covered by existing agreements. We are currently drafting agreements with Russia for two such options, the purchase of highly enriched uranium from Russia to supply to selected U.S. research and test reactors and the purchase of downblended Russian HEU for a LEU stockpile in Russia.

Global Partnership

International support is important to the overall success of our programs. In June 2002, G-8 countries committed to support a Global Partnership against the spread of weapons and materials of mass destruction by providing \$20 billion over the next ten years to assist Russia and eventually others in reducing proliferation threats. About half of the amount pledged will come from existing or planned U.S. threat reduction programs. Other G-8 countries will provide the remaining amount. While I can't be specific today about financial pledges that are still being worked internally by other governments, I can say that we believe that substantial additional funds will be provided through this mechanism by the time of the next G-8 summit in June, 2003. Among the areas of particular interest to DOE that may receive new funding from other G-8 countries are plutonium disposition and the employment of former weapons scientists.

Equally important as the new funding is the endorsement by the G-8 leaders, including President Putin, of principles that should govern cooperative programs under the Global Partnership. These principles explicitly call for transparency, access, liability protections, tax exemption of assistance, and other measures that we regard as necessary elements for successful threat reduction partnership with Russia. Since last summer, we have had several rounds of senior-level discussion among G-8 officials about the implementation of these principles. I wish I could tell you that we have secured Russian agreement to satisfactory approaches in all of the areas covered by the principles, but at this point all I can say is that our discussions are continuing. I am convinced, however, that the strong support expressed by all of the other G-8 countries for the Kananaskis principles will make an impression on Russian leaders, and increase our chances for securing their agreement to acceptable implementation measures.

Conclusion

In conclusion, I would like to make three fundamental points:

- *First*, our work to pro-actively and cooperatively engage Russia, as well as other countries, is vital if we are going to be successful at preventing terrorists and other rogue entities from acquiring nuclear weapons usable material, warheads and/or expertise. The consequences if we do not are unacceptable;
- *Secondly*, our work to achieve these nonproliferation goals has and will likely never be easy. Whether it is trying to gain access to Russia's nuclear warhead sites or nuclear weapons assembly plants, or gaining the a comprehensive accounting of what is truly the world's largest stocks of weapons-usable material, our mission is going to be challenging every step of the way;

- *Thirdly*, there should never be a question as to whether we will have set backs, but how effectively we respond to those set backs when they occur. Much of what we are doing in Russia has never been done, much less tried before, and challenges and set backs must be anticipated. However, considering the potential consequences if a terrorist were successful in acquiring a weapon or weapons-usable material from one of these sites, we have no other choice but to act.

Mr. Chairman and members of this Committee, this concludes my prepared statement. I would be pleased to answer any questions that you and members of the Committee may have.

**Testimony Before the House Armed Services Committee
The Honorable Paula A. DeSutter
Assistant Secretary of State
Bureau of Verification and Compliance
March 4, 2003**

Mr. Chairman, it is an honor to appear here today to discuss Cooperative Threat Reduction and the responsibilities of my bureau, the Bureau of Verification and Compliance. The CTR effort and the work of verification are complementary. Programs initiated and funded through CTR are intended to secure weapons of mass destruction (WMD) sites throughout Russia, fund destruction of weapons of mass destruction, and prevent the transfer of weapons, dangerous materials, and technologies to terrorists and terrorist sponsor states. The job of verification is to assess whether a particular nation has met its obligations and commitments and to seek to reinforce efforts to bring noncompliant parties back into full compliance with their obligations.

I would like to note at the outset that we have had excellent cooperation with Senator Lugar, the Chairman of the Senate Foreign Relations Committee, and his staff, on compliance issues related to CTR, particularly on Russian compliance with the Chemical Weapons Convention. I would also note that the President's granting of a waiver this January for continuing CTR funding reinforces the fact that there is still much to be accomplished. As we look to the future, I believe we should ensure that the funding provided for securing sites and destroying WMD material should also increase our certainty that the most serious threat has been lessened and the purpose achieved.

As the Assistant Secretary for Verification and Compliance, I have the lead responsibility for tracking, determining, and reporting on areas of noncompliance. My bureau also prepares the President's Annual Report on Adherence to and Noncompliance with Arms Control and Nonproliferation Agreements and Commitments. My comments are drawn from my knowledge of that report and others that the Verification and Compliance Bureau has coordinated. I'll also address

the emphasis and need for greater transparency as we prepare to ratify the Moscow Treaty. I am particularly concerned about Russian compliance, access to the most sensitive sites -- whether biological, chemical, or nuclear -- and providing for improvements in transparency.

That the Soviet Union violated its arms control obligations is beyond dispute. What is important now is that we gain adequate information to give confidence that those who inherited the Soviet WMD programs are committed to their security and elimination. While access could confirm our assessments of past noncompliance, it is also a necessary element in the path back into compliance. I'll offer several examples.

Russian Noncompliance with the Biological Weapons Convention and the Chemical Weapons Convention

- We believe, based on available evidence, that Russia continues to maintain an offensive biological weapons program in violation of the Biological and Toxin Weapons Convention (BWC).
- We believe that the Russian Federation has not divulged the full extent of their chemical agent and weapon inventory, and that the declaration is incomplete with respect to chemical weapons production, development facilities and chemical agent and weapons stockpiles. Such activities are inconsistent with the Chemical Weapons Convention (CWC).

As this Committee knows, the Soviet Union had an offensive biological weapons program in violation of the Biological and Toxin Weapons Convention. The Soviet program was the world's largest and consisted of both military facilities and civilian research and development institutes.

In the late 1980's and early 1990's, over 60,000 people were involved in the research, development, and production of biological weapons in the Soviet Union. The annual production capacity was several thousand tons of various agents. In 1992, the Russian government publicly acknowledged the Soviet program and committed to ending the former Soviet biological weapons program. We knew the program was massive and that it would be no easy matter for

Russia to terminate the offensive program. Our noncompliance findings in the early 1990's reflected this. However, starting perhaps with Russia's 1992 declaration, provided under confidence building measures it agreed to as part of the BWC Review Conference, there were problems. Their 1992 Declaration was incomplete and misleading. In an effort to resolve our concerns, a U.S., UK, Russia "Trilateral Process" was initiated in 1992. As outlined in the Joint Statement, it called for a series of confidence-building visits and information exchanges designed to demonstrate progress toward achieving openness. However, this process did not resolve all U.S. concerns and broke down in the mid-1990's. While there has been downsizing and restructuring of the biological weapons program, and research and production facilities have seen severe cuts in funding and personnel, some key components of the former Soviet program may remain largely intact. Of particular concern is the possibility that some facilities, in addition to being engaged in legitimate activity, may be maintaining the capability to produce biological weapons agents.

Previous assessments of Russian compliance have highlighted the dichotomy between what appears to be the commitment of key members of the Russian leadership to resolve BWC compliance issues and the continued involvement of "old hands" in BWC Protocol negotiations and in what Russia describes as its defensive biological weapons program. We appreciate expressions of commitment. However, what we need is for these expressions to be translated into practice.

A report prepared in support of a CTR waiver in December, 2002, also notes "There continues to be a profound lack of openness about the offensive BW program inherited from the Soviet Union . . . The 1992 declaration also failed to list all of the sites that supported the Soviet offensive BW program and that retain at least some of their offensive capability." The same report outlines progress made in terms of cooperation-related visits to several key Soviet-era civilian BW production facilities in Russia, but observed "Russia continues, however, to deny Western access to certain biological facilities, including those believed to have been associated with the Soviet offensive BW program."

There is no disagreement about the nature of the program or what is required to address the problem. We need greater

access -- not only to the biological weapons sites -- but to chemical weapons activities as well.

Focus on Noncompliance with the CWC

In becoming a State Party to the Chemical Weapons Convention, Russia accepted legal obligations to destroy its chemical weapons stockpile and to forego the development or possession of chemical weapons. This includes the chemical weapons stockpile and program remaining in Russia at the breakup of the USSR. In recent years, the Russian Federation has taken steps to strengthen its chemical weapons destruction program, including consolidating responsibility under civilian leadership and significantly increasing funding. Progress has been slow and Russia has had to request extensions on its chemical weapons destruction deadlines from the Organization for the Prohibition of Chemical Weapons (OPCW). With international assistance, Russia, in mid-December 2002, started destroying its Category 1 blister agent stockpile. However, we remain concerned that Russia may not have fully declared its chemical weapons stockpiles and facilities. In addition, Russia may maintain chemical weapons production mobilization capabilities. For example, Moscow television commentary related to a July 1998 OPCW inspection of the Khimprom Chemical Weapons Production Facility (CWPF) in Novocheboksarsk noted that, "in line with safety regulations, the so-called mobilization capacities are being maintained. This is costing Khimprom vast sums of money even though this is a matter for the federal government." Clearly, any offensive chemical weapons program is a violation of the Chemical Weapons Convention.

Ending Russia's Offensive CW Activities

The United States continues to work closely with Russia in an attempt to resolve our concerns with Russia's CWC declaration. We have an intense dialogue on these issues, even if we have yet to achieve satisfaction on our concerns. On several occasions, Secretary Powell, Under Secretary of State for Arms Control and International Security, John Bolton, and other senior U.S. officials have stressed the importance of resolving these concerns, particularly related to Russia's CW stockpile, with senior Russian officials, including the Chairman of the State Commission on Chemical Disarmament.

The United States and the Russian Federation also hold periodic bilateral meetings at the expert level, with political oversight. The last experts' meeting on declaration issues was held in February 2002. The primary topic of discussion during that meeting entailed our concerns with the Russian chemical weapons stockpile. In response to official U.S. questions about Russia's stockpile declaration, Russia provided some additional information and a proposal for U.S. experts to review documentation related to its declared CW stockpile. Consequently, a team of experts visited Moscow in early December 2002 to conduct the documentation review. However, the Russian Federation only offered for review documents already available to the United States through the Organization for the Prohibition of Chemical Weapons.

The United States also proposed to Russia that U.S. experts conduct site visits as part of our plan to resolve concerns related to the Russian chemical weapons stockpile. The U.S. proposal requests a series of short-notice visits, with unimpeded access, to undeclared suspect Russian chemical weapons sites. The United States also provided detailed procedures governing how such visits would be conducted and made clear that such visits were not reciprocal. To date Russia has only agreed to site visits at declared chemical weapons storage and destruction facilities. The United States has made clear our concern is not with declared facilities, but with sites that were not declared under the CWC. Consultations are continuing on this U.S. proposal. A letter from Senator Lugar to Foreign Minister Ivanov reinforced our concerns. We explained the situation to Senator Lugar's staff and, as a result, the Senator raised this issue on several occasions with Foreign Minister Ivanov. I raise this as an example of how we can work together to use the CTR program, the reports, and the waiver process to try to bring Russia into compliance.

Russia is continuing to revise its previous plan for destroying its stockpile of nerve agents. On July 5, 2001, the Russian government approved the revised chemical weapons destruction plan (Resolution No. 510) that amends the initial Russian plan of March 21, 1996, (Resolution No. 305). Russia has provided the United States and the OPCW numerous details on the planned destruction of its nerve agent stocks. However, the United States is continuing to

seek additional clarification as the Russian plan continues to evolve.

Gaining access to sites of concern is not only critical for programs that have been identified, it underscores the need for transparency that will define our relationship with Russia in the future.

We have over the past two years seen surprising cooperation between the United States and Russia, as Presidents Bush and Putin have defined a new course forward for our bilateral relationship. One striking example of this is our ongoing cooperation in the global war on terrorism, which includes, among other things, significantly increased exchanges of intelligence. We hope to bring this kind of cooperation and transparency to address our BWC and CWC concerns as we further develop our relations with Russia.

The Moscow Treaty

Another example of cooperation between the United States and Russia is the Treaty of Moscow, signed by the two Presidents last May, which provides for significant reductions in strategic offensive forces. The Moscow Treaty recognizes a new strategic relationship between the United States and Russia based on the understanding that the principles, which will underpin our relationship, are mutual security, openness, cooperation, and predictability. This understanding played an important role in our judgments regarding verification

As was discussed with the Senate in support of Moscow Treaty ratification, the United States will gain transparency into the disposition of Russia's strategic nuclear warheads and the overall status of reductions in its strategic forces through our own intelligence resources, bilateral assistance programs, including CTR, the START Treaty, and the work of the Consultative Group for Strategic Security (CGSS) and the Moscow Treaty's Bilateral Implementation Commission. We expect Russia to gain transparency in much the same way.

Information obtained through START's verification regime, including its data exchanges and short-notice on-site inspections, and U.S. national intelligence resources will continue over the course of the decade to add to our body

of knowledge regarding the disposition of Russia's strategic nuclear warheads and the overall status of reductions in Russia's strategic nuclear forces. Moreover, the ongoing U.S. programs to assist Russia in eliminating its strategic offensive arms and enhancing the safety and security of nuclear warheads in Russia will provide additional transparency into Russia's reduction efforts.

We also recognize that more contacts and exchanges of information could be useful. The CGSS met in September 2002 and the Working Groups have been meeting as well. The Bilateral Implementation Commission will meet once the Treaty enters into force.

It is possible that the Russian Federation may need additional nonproliferation and threat reduction assistance as it reduces its strategic nuclear warheads under the Moscow Treaty. As these discussions develop, we intend to continue to work with Russia, under the Cooperative Threat Reduction (CTR) program. We hope that the U.S. assistance programs remain as robust as they have in the past, since they have the opportunity to contribute both to threat reduction (safety and security), as well as to our body of knowledge, as we implement treaties.

Conclusion

Mr. Chairman, thank you for the invitation to speak today. I believe that the Cooperative Threat Reduction programs can contribute to verification of arms control and proliferation agreements and commitments. These programs are another means to bring Russia into compliance with their obligations and commitments. Much has been done, but as the President has made clear in his decision not to certify Russian commitment to compliance, much remains to be done.

The Executive Branch's efforts to accomplish these goals are multiplied by active support of the Legislative Branch in these endeavors.

So Mr. Chairman, Members of the Committee, I thank you for your interest and for inviting me to discuss the verification and compliance perspective on the CTR programs.

March 4, 2003



Testimony

Statement
of
David K. Steensma
Deputy Assistant Inspector General
for Auditing
Office of the Inspector General
Department of Defense
to the
House Committee on Armed Services
on
U.S.-Russian Cooperative Threat Reduction
and Non-Proliferation Programs

Not to be released before 2:00 p.m.,
March 4, 2003

Department of Defense
Office of the Inspector General

Quality

Integrity

Accountability

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the Committee today and address your questions regarding our reviews of the Cooperative Threat Reduction Program. Although progress is being made in destroying weapons of mass destruction, there is a need for additional management oversight of the country to country agreements, and more cooperative sharing of program risks.

Congress enacted Public law 102-228, the Soviet Nuclear Threat Reduction Act of 1991, to reduce the threat posed by the weapons of mass destruction remaining in the territory of the former Soviet Union. Objectives of the Act are to “destroy nuclear weapons, chemical weapons, and other weapons; transport, store, disable, and safeguard weapons in connection with their destruction; and establish verifiable safeguards against the proliferation of such weapons.” The Act designated DoD as the executive agent for what came to be called the Cooperative Threat Reduction Program. The current objectives of the Cooperative Threat Reduction Program, are to:

- “Dismantle former Soviet Union weapons of mass destruction and associated infrastructure.

- Consolidate and secure former Soviet Union weapons of mass destruction and related technology and materials.
- Increase transparency and encourage higher standards of conduct.
- Support defense and military cooperation with the objective of preventing proliferation.”

The annual reports on the Cooperative Threat Reduction Program show steady and consistent progress in destroying weapons of mass destruction within the former Soviet Union countries.

On March 18, 2002, the Deputy Secretary of Defense requested that the Office of the Inspector General of the Department of Defense:

- review problems that had been identified with the Cooperative Threat Reduction Program project to convert liquid propellant removed from intercontinental ballistic missiles in the Russian Federation (Russia) into a more benign substance;

- provide advice on protecting the Department of Defense from similar situations on other United States-funded projects that rely on Russian assurances; and,
- review the organizational arrangements between the Cooperative Threat Reduction Policy office within the Office of the Under Secretary of Defense for Policy and the Cooperative Threat Reduction Directorate at the Defense Threat Reduction Agency.

On September 30, 2002, we issued Report No. D-2002-154 “Cooperative Threat Reduction Liquid Propellant Disposition Project,” that presented our conclusions on the project, including the nonavailability of the liquid propellant that prevented use of the facility built to convert the liquid propellant. I will discuss the issues identified in our review of the liquid propellant disposition project. In addition, I will also comment on our prior and ongoing work on the Cooperative Threat Reduction Program.

Liquid Propellant Project

The liquid propellant disposition project is managed under an implementing agreement commonly referred to as the Strategic Offensive Arms Elimination-Russia implementing agreement. The implementing agreement supplements the

umbrella agreement that was signed on June 17, 1992, and is known as the “Agreement Between the United States of America and the Russian Federation Concerning the Safe and Secure Transportation, Storage, and Destruction of Weapons and the Prevention of Weapons Proliferation.”

Russia requested U.S. assistance to dispose of liquid fuel (unsymmetrical dimethyl hydrazine) as well as the oxidizers (dinitrogen tetroxide and mélange). In Russia, the liquid fuel and dinitrogen tetroxide are known as heptyl and amyl, respectively. Russia needed assistance with the disposal of heptyl and amyl (liquid propellant) to facilitate the disposal of intercontinental ballistic missiles and submarine-launched ballistic missiles. The liquid propellant disposition project includes removing the heptyl and amyl from missile sites, transporting the material to storage sites, and converting the material into commercial products.

Costs of the Liquid Propellant Disposition Program

As of July 2, 2002, the Department of Defense had obligated \$164.5 million to assist Russia in the disposal of heptyl and amyl. That amount included:

- \$94.4 million for the heptyl disposition facility and associated shipping and logistical support.

- \$51.1 million for equipment (flatbed railcars, intermodal containers and cranes) and transportation services related to movement and storage of liquid propellant disposal, and transition, operation, and maintenance of the disposition facility.
- \$17.8 million for designing and site preparation of the amyl disposition system.
- \$1.2 million to maintain and secure the heptyl disposition facility, while the Department of Defense considered the future of the facility.

Heptyl and Amyl Disposition Facilities

The Defense Threat Reduction Agency's predecessor, the Defense Nuclear Agency, awarded a contract to Thiokol Corporation in April 1995 to design and construct the heptyl disposition systems to convert 30,000 metric tons of heptyl to industrial solvent at Krasnoyarsk, Russia. The heptyl disposition systems were ready for testing in January 2002 (pictures of the facility are at Attachment 1). However, at that time and unknown to the Defense Threat Reduction Agency, there was insufficient heptyl available to cost effectively operate the plant. Subsequently, the facility was never certified for use.

In June 1999, the Defense Threat Reduction Agency awarded a contract to Bechtel National, Incorporated, to design, fabricate, and test up to two mobile systems that would convert 43,000 metric tons of amyl and 80,000 metric tons of mélange into

nitric acid. Later, the Department of Defense agreed to a Russian request that the systems be permanent and located in the Russian cities of Aleksin and Krasnoyarsk. In February 2002, the Department of Defense removed the mélange-processing requirement because mélange was not considered a strategic missile oxidizer.

Department of Defense Learns that Heptyl is Not Available for Conversion

According to the Director, Cooperative Threat Reduction Directorate, Defense Threat Reduction Agency, the initial indication that heptyl would not be available for conversion was in January 2002 during informal discussions with Russian Aviation and Space Agency officials. Following those discussions, on February 13, 2002, the Director telephoned the Director of the Missile Technologies Division, Russian Aviation and Space Agency to obtain an explanation and to request a formal written response. According to the record on the telephone discussion, the Russian Aviation and Space Agency official confirmed that "the reprocessed heptyl was made available to the commercial Proton [commercial launch rocket] program and for missile development tests." He also stated that although heptyl tank farms were almost dry, the Russian Ministry of Defense saw a continuing need for the heptyl disposition facility because of uncertainties surrounding the number of future space launches. In a

letter dated May 24, 2002, the Director of the Missile Technologies Division provided the official response for Russia. In explaining why the Department of Defense was not informed, the Director stated, "However, practically speaking, given the extreme uncertainty of the constantly changing situation, it was very difficult for Russia to inform you properly without harming Russia's plans associated with strategic offensive arms elimination under START [Strategic Arms Reduction Treaty] I and II, since these plans made it possible to fairly fully load the two units being built in Krasnoyarsk with work."

Russian Launches of Heptyl-Fueled Vehicles

During 1992 when the Department of Defense and Russian officials were initially making decisions on the disposal of heptyl and amyl, Russia was experiencing a decrease in the number of heptyl-fueled space launches. However, while negotiations continued on how to dispose of the heptyl and amyl from Russian missiles, the United States and Russia were also negotiating Russia's entry into the commercial space launch business. In September 1993, the two countries signed the "Agreement Between the Government of the United States of America and the Government of the Russian Federation Regarding International Trade in Commercial Space Launch Services." That 1993 agreement, amended in January 1996, allowed Russia to launch up to 20 principal payloads for international customers through December 2000, when the agreement expired. Between

January 1995 through June 2002, Russia launched 102 heptyl-fueled rockets using an estimated 12,500 metric tons of heptyl. In addition, Russia could have used more than 12,500 metric tons of heptyl during that time for test firing of the rocket engines. According to a trip report prepared by a chemical engineer with the Science Applications International Corporation, officials from the Russian Aviation and Space Agency stated that Russia test fires each rocket engine using 100 percent of the fuel capacity.

Lack of Implementing Agreement Requirements

The agreements with Russia did not require Russia to provide the heptyl and amyl for conversion, including remedies for nonperformance, and did not provide the Department with adequate access rights to where the heptyl and amyl were stored.

The Strategic Offensive Arms Elimination-Russia implementing agreement did not require Russia to provide the heptyl and amyl for conversion, and neither that implementing agreement nor the umbrella agreement, provided adequate access rights to the Department of Defense. Also, the Strategic Offensive Arms Elimination-Russia implementing agreement did not include any remedies should Russia fail to use the United States provided equipment, services, and training. Agreements should have required that Russia provide the heptyl and amyl for

conversion and provide the Department of Defense with access to heptyl and amyl inventories as well as included remedies for nonperformance.

Audits and Examinations

The umbrella agreement gives the Department of Defense the right to examine Russia's use of equipment, services, and training provided by the United States upon request and according to procedures to which both countries agree. The Strategic Offensive Arms Elimination-Russia implementing agreement provides procedures for conducting audits and examinations. That implementing agreement requires that the Department provide a 30-day written notice prior to performing an audit and examination, as well as specifying that audits and examinations are limited to no more than three each calendar year, and concurrently at no more than two sites. Both the umbrella and implementing agreements did not allow the Department access to conduct inventory inspections of heptyl and amyl at Ministry of Defense tank farms.

The Defense Threat Reduction Agency has not performed an audit and examination on equipment provided to Russia for transporting and storing the heptyl and amyl since June 1999. The three prior inspections performed prior to that date were not fully effective. Two inspections identified that Russia improperly used some intermodal containers for mélange, but those inspections

were not thorough enough to identify the extent of improper use of the equipment. The audits and examinations were limited to comparing the serial numbers on intermodal containers against the list of serial numbers the project manager provided, identifying the location, and noting the condition of each container. The audit and examination team did not verify the contents of the intermodal containers because team members did not have the equipment needed to safely examine the intermodal containers.

Program Risks

As early as December 1992, Russian officials had informed Department of Defense officials of plans to use some of the heptyl removed from ballistic missiles for space launches. At that time, Russian officials estimated that only 3,000 metric tons would be consumed. In 2000, the Defense Threat Reduction Agency started to include general and specific risks in its project plans for the heptyl disposition facility. General risks for that project included cost; project access, including the number of yearly visits by the project manager; time since the last audit and examination; site access restrictions; and project status. The specific risks for the heptyl disposition project were finding and training qualified Russian operators, and operational performance of the disposition facility. However, the project plans, which are updated annually, did not identify as a risk that Russia might use heptyl for other purposes. Other possible uses of heptyl

should have been identified as a risk for three reasons. First, Russian officials informed Department officials in 1992 of their plans to use for space launches some of the heptyl removed from ballistic missiles. Second, the Russian Aviation and Space Agency did not control the heptyl owned by the Ministry of Defense. Third, the Defense Threat Reduction Agency did not have the authority to inventory the heptyl that Russia was storing at Ministry of Defense sites.

Idle Disposition Facility

The heptyl disposition facility will not be used for its intended purpose. The Department of Defense now faced the decision on what to do with the heptyl disposition facility. After the Defense Threat Reduction Agency was notified about Russia's heptyl use, the Defense Threat Reduction Agency placed a stop-work order on the heptyl and amyl disposition facilities while the Department developed and considered its options. In February 2002, the Office of the Under Secretary of Defense for Policy drafted a list of options and associated costs for the heptyl and amyl disposition facilities. In July 2002, the Defense Threat Reduction Agency terminated the contract while the amyl disposition facility was still in the design phase. On February 4, 2003, the Deputy Secretary of Defense approved the "dismantlement and salvage where possible" of the heptyl facility.

Other Corrective Actions Taken

The Office of the Under Secretary of Defense for Policy is to be commended for establishing an Executive Review program to reduce program risks. The Executive Review program is designed to increase and improve communication between the Department of Defense and the Russian executive agents. The Executive Review program offers opportunities for the Department and Russian executive agents to identify and implement changes to project assumptions and objectives, obtain legally binding commitments, and avoid expenditure of funds if Russia cannot meet its commitments.

Other Cooperative Threat Reduction Program Reviews

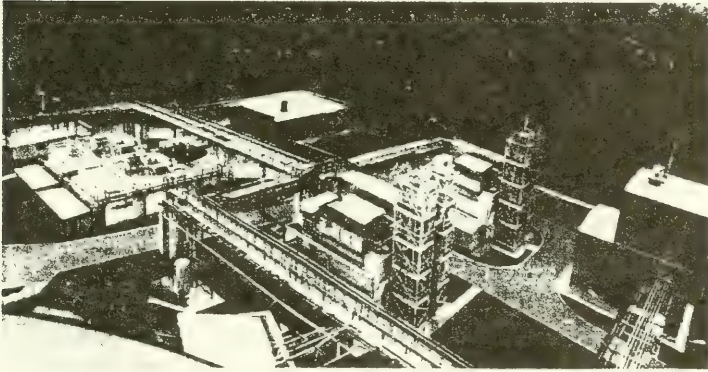
A list of other prior reviews of the Cooperative Threat Reduction Program is at Attachment 2.

We are currently reviewing four other projects in the Cooperative Threat Reduction Program: the Biological Weapons Proliferation Prevention Program; the Chemical Weapons Destruction Facility; the Fissile Material Storage Facility; and the Solid Rocket Motor Disposition Facility. In addition, we are reviewing

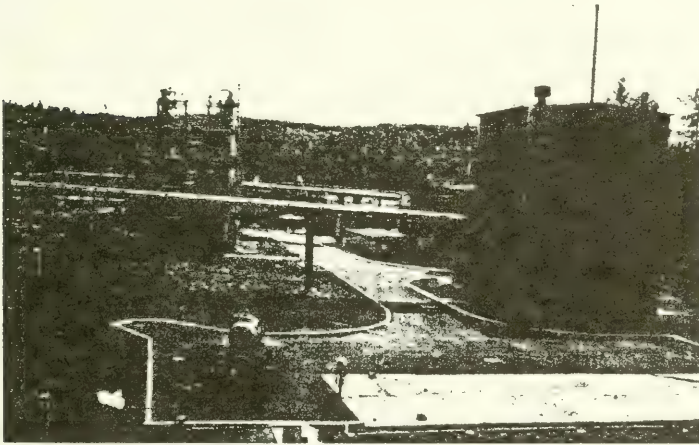
the organizational arrangements within the Department for the Cooperative Threat Reduction Program. We plan to issue reports on those reviews later in 2003.

Thank you for considering the views of the Office of the Inspector General on the Cooperative Threat Reduction Program. This concludes my testimony.

Pictures of the Heptyl Disposition Facility Krasnoyarsk, Russia



Aerial view of the Heptyl Disposition Systems and Infrastructure



Ground View of the Heptyl Fuel Disposition System

Office of the Inspector General, DoD
Reports on the Cooperative Threat Reduction Program

Report No. 03-OIR-03, "Classified Report," January 7, 2003

Report No. D-2002-154, Cooperative Threat Reduction Program Liquid Propellant
Disposition Project, September 30, 2002

Report No. D-2002-033, Management Costs Associated with the Defense
Enterprise Fund, December 31, 2001

Report No. D-2001-074, Cooperative Threat Reduction Program, March 9, 2001

Report No. D-2000-176, Defense Enterprise Fund, August 15, 2000

Attachment 2

United States General Accounting Office

GAO

Testimony

Before the Committee on Armed Services, U.S. House of
Representatives

For Release on Delivery
2:00 p.m., March 4, 2003

WEAPONS OF MASS DESTRUCTION

Observations on U.S. Threat Reduction and Nonproliferation Programs in Russia

Statement of Joseph A. Christoff, Director,
International Affairs and Trade



GAO-03-526T

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss efforts by the Departments of Defense, Energy, and State to help Russia secure, destroy, and dismantle weapons of mass destruction (WMD) and prevent their proliferation.

After the breakup of the Soviet Union in 1991, Russia inherited the world's largest arsenal of nuclear, chemical, and biological weapons. The Soviets' extensive military resources and autocratic rule allowed it to maintain and secure this vast arsenal. As Russia adopted economic reforms and moved toward an open society, its economy and central controls deteriorated, making it difficult to maintain security at these weapons sites. Recognizing these difficulties, the Congress authorized funds for programs to help destroy Russian weapons and improve WMD security. The events of September 11th have increased U.S. concerns that terrorists might obtain nuclear materials or weapons at poorly secured sites.

GAO has reviewed U.S. threat reduction and nonproliferation efforts in Russia since 1993. Today, I will present our overall observations on the progress and key challenges of these programs based on published GAO reports since 1993.¹

Summary

Over the past decade, the United States has responded to increased proliferation risks in Russia by providing \$6.4 billion for Departments of Defense, Energy, and State programs in the former Soviet Union. The United States has made important progress in three areas. First, the Department of Defense helped destroy 463 Russian nuclear submarines, long-range bombers, and strategic missiles to support Russia's efforts to meet treaty requirements. Second, the Department of Energy installed security systems that helped protect 32 percent of Russia's

¹Appendix I contains a list of reports GAO has published since 1993 on U.S. threat reduction and nonproliferation efforts in the former Soviet Union.

weapons-usable nuclear material. Third, the United States supplemented the income of thousands of Russian weapons scientists so they would be less inclined to sell their skills to countries of concern.

However, U.S. threat reduction and nonproliferation programs have consistently faced two critical challenges: (1) the Russian government has not always paid its agreed-upon share of program costs and (2) Russian ministries have often denied U.S. officials access to key nuclear and biological sites. Regarding program costs, Russia did not pay, for example, its previously agreed-upon share of \$275 million to design and build a nuclear storage site at Mayak. As of January 2003, the United States plans to spend \$385 million for a scaled-down version of this site. Russia has also failed to pay operation and maintenance costs for security equipment the United States installed at sites with weapons-usable nuclear material. As a result, DOE plans to spend an additional \$171 million to ensure that this equipment is properly maintained. Regarding access, Russia will not allow DOD and DOE the level of access they require to design security improvements, verify their installation, and ensure their proper operation. As a result, the agencies have been unable to help protect substantial portions of Russia's nuclear warheads and weapons-usable nuclear material. In addition, many Russian biological sites that store dangerous biological pathogens remain off-limits to the United States. Russia justifies these access restrictions on the grounds that it is protecting its national security interests.

Background

Russia inherited the world's largest arsenal of weapons of mass destruction after the collapse of the Soviet Union. This arsenal includes approximately:

- 30,000 nuclear weapons,
- 600 metric tons of weapons-usable nuclear materials,
- 40,000 metric tons of declared chemical weapons,

- 2,100 systems (missiles and bombers) for delivering weapons of mass destruction, and
- About 40 research institutes devoted to the development and production of biological weapons.

In addition, the Soviet collapse also left 30,000 to 75,000 senior nuclear, chemical, and biological weapons scientists and thousands of less experienced junior scientists without full-time employment.

To date, Congress has authorized more than \$6.4 billion for several programs to help Russia and other countries in the former Soviet Union reduce the proliferation threats posed by their weapons of mass destruction.

In 1992, Congress authorized DOD to establish the Cooperative Threat Reduction Program. The program remains the largest and most diverse U.S. program addressing former Soviet weapons of mass destruction threats. Most Cooperative Threat Reduction projects (1) destroy vehicles and launchers that deliver nuclear weapons and their related facilities and (2) secure Russia's nuclear weapons and materials to prevent their proliferation.

The Department of State helped establish and, with DOD, funded the International Science and Technology Center in Moscow to help fund peaceful research carried out by underpaid weapons scientists in 1994. The Center supplements the income of scientists, purchases equipment for scientific research, and supports programs to help scientists identify and develop commercially viable research projects. The Center's sponsors include the United States, the European Union, and Japan.

In 1995, DOE launched the Material Protection, Control, and Accounting Program to help secure former Soviet weapons-usable nuclear materials. It later created the Initiatives for Proliferation Prevention Program and the Nuclear Cities Initiative to engage unemployed weapons scientists in various peaceful

commercial projects. The Department also has two other initiatives to reduce former Soviet stockpiles of weapons useable material. These programs are designed to convert highly enriched uranium and weapons-usable plutonium to fuels that can be used in civilian nuclear power plants.

In 1998, DOD initiated efforts to help secure Russian sites with dangerous biological pathogens in response to intensified efforts by Iran and other countries of proliferation concern to acquire biological weapons expertise and materials.² In 1999, Congress approved funds to begin enhancing security at Russia's chemical weapons storage sites.

U.S. Programs Have Made Progress in Three Areas

The United States has made progress in helping reduce threats from the weapons, materials, and personnel working in weapons development. First, the most important progress the United States has made to date has been in support of Russia's efforts to eliminate strategic nuclear delivery systems as required by the Strategic Arms Reduction Treaty (START). START I required Russia to reduce the number of delivery vehicles from 2100 to 1600.³ Further cuts are required under START II. Through the Cooperative Threat Reduction program, the Department of Defense has helped de-fuel, transport, and destroy excess missiles and bombers, and destroy excess launchers.⁴ According to the Defense Threat Reduction Agency, 24 nuclear ballistic missile submarines, 44 long-range heavy bombers, and 395 intercontinental missiles that previously contained nuclear warheads have been destroyed as of 2002. These efforts have been successful because the United

² *Biological Weapons: Effort to Reduce Former Soviet Threat Offers Benefits, Poses New Risks* (GAO/NSIAD-00-138, Apr. 28, 2000).

³ Under the terms of START I, Belarus, Kazakhstan, and Ukraine were required to eliminate their entire stockpile of about 400 strategic nuclear delivery vehicles.

⁴ *Weapons of Mass Destruction: Status of the Cooperative Threat Reduction Program* (GAO/NSIAD-96-222, Sep. 27, 1996).

States and Russia had mutually agreed-upon goals rooted in START and the Russians provided relatively open access.⁵

The Department of Energy has made progress in securing Russia's plutonium and highly enriched uranium. As we reported in February 2001,⁶ DOE had installed systems that helped improve security over 32 percent of Russia's weapons-usable nuclear material. Much of DOE's progress was at Russian civilian and naval fuel storage sites. At those sites, DOE completed the installation of security systems at nearly 60 percent (73 of 125) of the buildings and had work under way at 26 percent (33 of 125) of the remaining buildings.⁷ In addition, within 2 years of beginning a program to help the Russian Navy secure its nuclear warheads, DOE had begun installing security systems at 41 of 42 sites. The installation of security equipment such as fences, sensors, video cameras, and access control systems at these sites has reduced the risk of theft of nuclear material and nuclear warheads.

The United States also seeks to reduce proliferation risks associated with underemployed, highly trained scientists who could be tempted to sell their expertise to terrorists or countries of concern. As we reported in May 2001,⁸ the Departments of Defense, Energy, and State have supplemented the incomes of thousands of former Soviet weapons scientists. For example, in 2000, about 6,800 senior weapons scientists were engaged in research projects such as developing vaccines and devising techniques to enhance environmental cleanup. However, the U.S.-sponsored research generally provides only part-time employment for Russian scientists. Consequently, the departments know little about the scientists' activities outside these programs.

⁵ *Weapons of Mass Destruction: U.S. Efforts to Reduce Threats from the Former Soviet Union*. GAO/T-NSIAD/RCED-00-119, Mar. 6, 2000.

⁶ *Nuclear Nonproliferation: Security of Russia's Nuclear Material Improving; Further Enhancements Needed* (GAO-01-312, Feb. 28, 2001).

⁷ Russia stores weapons-usable nuclear material at three types of sites. Civilian sites produce nuclear fuels and materials for civilian application; naval fuel sites store stockpiles of highly enriched uranium used in submarines and icebreakers; and the nuclear weapons complex fabricates, refurbishes, and dismantles nuclear weapons and components.

U.S. Threat Reduction Programs in Russia Face Key Challenges

Since 1991, U.S. threat reduction programs in Russia have faced two key challenges. First, Russia has not always adhered to agreements to pay its share of program costs, and second, Russia has not always provided the access DOD and DOE require to design security improvements, verify their installation, and ensure their proper operation.

Russia Has Not Always Provided Its Share of Funding for Programs

Three programs illustrate the difficulty of relying on Russia to provide agreed-upon funds for threat reduction programs. In 1992, Russia requested assistance from the United States to build a site to store nuclear material from dismantled warheads. DOD agreed to help Russia build a Pentagon-sized facility at Mayak to store the plutonium and limited its contribution to no more than one half (\$275 million) of the total estimated cost. However, as we reported in 1999,⁹ Russia did not fund its \$275 million share of the project. As a result, the United States, as of January 2003, plans to spend \$385 million to design and build a scaled-back version of the facility. In addition, as we testified in March 2000,¹⁰ the United States does not know if Russia will be able to pay the annual operating costs of more than \$10 million after the facility is completed in 2004.

Since 1994, DOD has been negotiating with Russia to design and build a destruction facility for chemical weapons. Under the terms of the Chemical Weapons Convention, Russia is required to destroy its entire chemical weapons stockpile by 2012. Russia estimates that it will cost \$3.5 to \$5 billion for multiple facilities to destroy this stockpile. In November 2001, we testified that DOD

⁹ *Weapons of Mass Destruction: State Department Oversight of Science Centers Program* (GAO-01-582, May 10, 2001) and *Nuclear Nonproliferation: DOE's Efforts to Assist Weapons Scientists in Russia's Nuclear Cities Face Challenges* (GAO-01-429, May 3, 2001).

¹⁰ *Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned* (GAO/NSIAD-99-76, Apr. 1999).

¹¹ *Weapons of Mass Destruction: U.S. Efforts to Reduce Threats from the Former Soviet Union* (GAO/T-NSIAD/RCED-00-119, Mar. 6, 2000).

estimated that it will cost the United States \$890 million to design and build a single facility.¹¹ However, the successful completion of the project was based on the assumption that Russia will pay an additional \$750 million in operational costs and related infrastructure such as gas and water lines, storm sewers, and a rail line to link the destruction facility with a nearby chemical weapons storage site. However, through 2001, Russia had only provided \$25 million toward this effort.

Russia also apparently faces significant limitations on its ability to pay for the operation and maintenance of U.S.-provided security equipment such as cameras, electronic locks, and motion detectors.. As we reported in February 2001,¹² when DOE began to help secure Russia's weapons-usable nuclear material in 1995, the agency assumed that Russia would be able to pay for the long-term operation and maintenance of the security systems DOE planned to install. However, DOE soon learned that Russian officials said they lacked the resources to pay for these costs. As a result, as of February 2001, DOE planned to spend \$171 million to cover the cost of equipment warranties, operating procedure development, and training. Without U.S. funding, the operation and maintenance of security systems at these sites would be reduced, leaving nuclear materials more vulnerable to theft.

Russia Has Denied DOD and DOE Access to Significant Nuclear and Biological Sites

Russia has not provided DOD and DOE the access to sites that they require to design security improvements, verify their installation, and ensure their proper operation. Russia justifies these access restrictions on the grounds that it is protecting its national security interests. As a result, DOD and DOE have been unable to help protect substantial portions of Russia's nuclear warhead stockpile and weapons-usable nuclear material. In addition, several Russian biological sites

¹¹ *Weapons of Mass Destruction: Assessing U.S. Policy Tools for Combating Proliferation* (GAO-02-226T, Nov. 7, 2001).

¹²GAO-01-312.

of potential proliferation concern have been off-limits to the United States. The following three examples illustrate the lack of access the agencies have encountered.

The United States has long-standing concerns about the security conditions at Russia's nuclear warhead sites. In 1997, DOD began efforts to help secure these sites. As we reported in June 2001,¹³ the Russian Ministry of Defense does not provide U.S. personnel with access to nuclear weapons storage sites. This has blocked DOD from installing security improvements such as fences, sensors, and access control systems to prevent outsiders from breaking in and employees from stealing on the inside.

As we reported in February 2001,¹⁴ DOE's lack of access to buildings in Russia's nuclear weapons complex is a significant challenge to improving security over weapons-usable nuclear material in Russia. DOE requires access to these buildings to design security systems and confirm their installation. The Russian Ministry of Atomic Energy had denied DOE access to 73 percent of the buildings with weapons-usable material in nuclear weapons complex. As a result, DOE was unable to improve security over hundreds of metric tons of weapons-usable nuclear material.

The Russian government has refused to grant the United States access to biological facilities managed by the Ministry of Defense. As we reported in April 2000,¹⁵ the United States is concerned that offensive research may continue to take place at these facilities. It is believed that these sites maintain a national collection of dangerous pathogens, including Ebola and Marburg viruses. U.S. officials stated that they are concerned that dangerous pathogen stocks could be stolen and used for illicit purposes.

¹³ *Cooperative Threat Reduction: DOD Has Adequate Oversight of Assistance, but Procedural Limitations Remain* (GAO-01-694, Jun. 19, 2001).

¹⁴ GAO-01-312.

The Departments of Defense and Energy have worked with the Russian government over the years to gain access to these sites but with limited success. As a result, the United States employs alternatives to onsite access through the use of photographs and videotapes before and after the installation of security systems, visual inspections by a single member of a U.S. project team, and written certification by Russian site directors.

Mr. Chairman and Members of the Committee, this concludes my prepared statement. I will be happy to answer any questions you may have.

Contacts and Acknowledgments

For future contacts regarding this testimony, please call Joseph Christoff at (202) 512-8979. Gene Aloise, R. Stockton Butler, Joseph Cook, Lynn Cothorn, Muriel Forster, Beth Hoffman Leon, Hynek Kalkus, David Maurer, Maria Oliver, Jeffrey Phillips, Daniele Schiffman, F. James Shafer, and Pierre Toureille made key contributions to the reports on which this testimony is based.

¹⁵GAO/NSIAD-00-138.

Appendix I

**GAO Reports on Former Soviet Weapons
of Mass Destruction and Related Subjects**

Cooperative Threat Reduction Program Annual Report. GAO-03-341R. Washington, D.C.: December 2, 2002.

Arms Control: Efforts to Strengthen the Biological Weapons Convention. GAO-02-1038NI. Washington, D.C.: September 30, 2002.

Nuclear Nonproliferation: U.S. Efforts to Help Other Countries Combat Nuclear Smuggling Need Strengthened Coordination and Planning. GAO-02-426. Washington, D.C.: May 16, 2002.

Cooperative Threat Reduction: DOD Has Adequate Oversight of Assistance, but Procedural Limitations Remain. GAO-01-694. Washington, D.C.: June 19, 2001.

Weapons of Mass Destruction: State Department Oversight of Science Centers Program. GAO-01-582. Washington, D.C.: May 10, 2001.

Nuclear Nonproliferation: DOE's Efforts to Assist Weapons Scientists in Russia's Nuclear Cities Face Challenges. GAO-01-429. Washington, D.C.: May 3, 2001.

Nuclear Nonproliferation: Security of Russia's Nuclear Material Improving; Further Enhancements Needed. GAO-01-312. Washington, D.C.: February 28, 2001.

Nuclear Nonproliferation: Implications of the U.S. Purchase of Russian Highly Enriched Uranium. GAO-01-148. Washington, D.C.: December 15, 2000.

Biological Weapons: Effort to Reduce Former Soviet Threat Offers Benefits, Poses New Risks. NSIAD-00-138. Washington, D.C.: April 28, 2000.

Weapons of Mass Destruction: Some U.S. Assistance to Redirect Russian Scientists Taxed by Russia. NSIAD-00-154R. Washington, D.C.: April 28, 2000.

Cooperative Threat Reduction: DOD's 1997-98 Reports on Accounting for Assistance Were Late and Incomplete. NSIAD-00-40. Washington, D.C.: March 15, 2000.

Nuclear Nonproliferation: Limited Progress in Improving Nuclear Material Security in Russia and the Newly Independent States. RCED/NSIAD-00-82. Washington, D.C.: March 6, 2000.

Nuclear Nonproliferation: Status of Transparency Measures for U.S. Purchase of Russian Highly Enriched Uranium. RCED-99-194. Washington, D.C.: September 22, 1999.

Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned. NSIAD-99-76. Washington, D.C.: April 13, 1999.

Nuclear Nonproliferation: Concerns With DOE's Efforts to Reduce the Risks Posed by Russia's Unemployed Weapons Scientists. RCED-99-54. Washington, D.C.: February 19, 1999.

Nuclear Nonproliferation and Safety: Uncertainties About the Implementation of U.S.-Russian Plutonium Disposition Efforts. RCED-98-46. Washington, D.C.: January 14, 1998.

Weapons of Mass Destruction: Review of DOD's June 1997 Report on Assistance Provided. NSIAD-97-218. Washington, D.C.: September 5, 1997.

Cooperative Threat Reduction: Status of Defense Conversion Efforts in the Former Soviet Union. NSIAD-97-101. Washington, D.C.: April 11, 1997.

Weapons of Mass Destruction: DOD Reporting on Cooperative Threat Reduction Assistance Has Improved. NSIAD-97-84. Washington, D.C.: February 27, 1997.

Nuclear Safety: Status of U.S. Assistance to Improve the Safety of Soviet-Designed Reactors. RCED-97-5. Washington, D.C.: October 29, 1996.

Weapons of Mass Destruction: Status of the Cooperative Threat Reduction Program. NSIAD-96-222. Washington, D.C.: September 27, 1996.

Nuclear Nonproliferation: Status of U.S. Efforts to Improve Nuclear Materials Controls in Newly Independent States. NSIAD/RCED-96-89. Washington, D.C.: March 8, 1996.

Nuclear Safety: Concerns With Nuclear Facilities and Other Sources of Radiation in the Former Soviet Union. RCED-96-4. Washington, D.C.: November 7, 1995.

Weapons of Mass Destruction: DOD Reporting on Cooperative Threat Reduction Assistance Can Be Improved. NSIAD-95-191. Washington, D.C.: September 29, 1995.

Weapons of Mass Destruction: Reducing the Threat From the Former Soviet Union—An Update. NSIAD-95-165. Washington, D.C.: June 17, 1995.

Weapons of Mass Destruction: Reducing the Threat From the Former Soviet Union. NSIAD-95-7. Washington, D.C.: October 6, 1994.

Nuclear Safety: International Assistance Efforts to Make Soviet-Designed Reactors Safer. RCED-94-234. Washington, D.C.: September 29, 1994.

Soviet Nuclear Weapons: Priorities and Costs Associated with U.S. Dismantlement Assistance. NSIAD-93-154. Washington, D.C.: March 8, 1993.

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DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 4, 2003

September 30, 2002



Cooperative Threat Reduction

Cooperative Threat Reduction
Program Liquid Propellant
Disposition Project
(D-2002-154)

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Acronyms

CTR	Cooperative Threat Reduction
DTRA	Defense Threat Reduction Agency
MOD	Ministry of Defense
RASA	Russian Aviation and Space Agency
SOAE	Strategic Offensive Arms Elimination



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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September 30, 2002

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR POLICY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY

SUBJECT: Report on the Cooperative Threat Reduction Program Liquid Propellant
Disposition Project (Report No. D2002-154)

We are providing this report, which the Deputy Secretary of Defense requested, for review and comment. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Under Secretary of Defense for Policy provide additional comments on recommendation A.1. by November 29, 2002.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Evelyn R. Klemstine at (703) 604-9172 (DSN 664-9172) (eklemstine@dodig.osd.mil) or Mr. Donney J. Bibb at (703) 604-9613 (DSN 664-9613) (dbibb@dodig.osd.mil). See Appendix F for the report distribution. The team members are listed on the inside back cover.

David K. Steensma

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Deputy Assistant Inspector General
for Auditing

Office of the Inspector General of the Department of Defense

Report No. D-2002-154

September 30, 2002

(Project No. D2002LG-0119)

Cooperative Threat Reduction Program Liquid Propellant Disposition Project

Executive Summary

Who Should Read This Report and Why? DoD civilian and military personnel who manage international programs should read this report. This report discusses topics that international agreements should include.

Background. This audit is one in a series of audits the Deputy Secretary of Defense requested. As part of the Cooperative Threat Reduction (CTR) Program, DoD agreed to assist the Russian Federation in disposing of its liquid rocket propellant. Public Law 102-228 (section 2551 [note], title 22, United States Code), the Soviet Nuclear Threat Reduction Act of 1991 designates DoD as the executive agent for the CTR Program. Specific objectives of the act are to destroy chemical, nuclear, and other weapons; transport, store, disable, and safeguard weapons in connection with their destruction; and establish verifiable safeguards against proliferation of weapons of mass destruction. The Office of the Assistant Secretary of Defense (International Security Policy), under the Office of the Under Secretary of Defense for Policy, develops, coordinates, and oversees implementation of policy for the CTR Program. The CTR Directorate, Defense Threat Reduction Agency operates the program.

The direction of DoD assistance for disposal of liquid rocket propellant changed after the initial agreement. DoD initially agreed to provide equipment, services, and training so that Russia could incinerate 30,000 metric tons^{*} of liquid propellant (heptyl) and 123,000 metric tons of oxidizer (amyl and mélange). However, DoD ultimately financed facilities that would convert the propellant and oxidizer into commercial products. As of July 2, 2002, DoD had obligated at least \$164.5 million and disbursed \$137.2 million to assist Russia in the disposal of heptyl and amyl.

Results. Although the Defense Threat Reduction Agency obligated \$112.2 million and disbursed \$95.5 million through July 2, 2002, to design and build facilities that would convert heptyl and amyl into commercial products, Russia informed DoD in February 2002 that Russia used the heptyl and amyl for its commercial space program. As a result, the heptyl and amyl disposition facilities that cost the United States \$95.5 million will not be required for their intended purpose. In addition to those costs, the Defense Threat Reduction Agency has obligated \$1.2 million for maintenance and security of the heptyl disposition facility while DoD considers the future of the facility.

The Under Secretary of Defense for Policy could reduce program risks by negotiating implementing agreements requiring a commitment from Russia to provide the weapon systems and their components, provide adequate transparency rights to DoD, and include

* A metric ton equals 2,204.6 pounds.

remedies. By deciding on the future of the heptyl disposition facility, the Under Secretary of Defense for Policy could reduce U.S. costs by more than \$197,000 a month. The Under Secretary of Defense for Policy could reduce U.S. costs and increase the cooperative nature of the CTR Program by requesting that Russia use the proceeds from the sale of heptyl for CTR Program purposes. The Director, Defense Threat Reduction Agency could have more assurance that Russia will provide weapons systems for disposal by performing more complete inspections of equipment provided to Russia and by identifying other potential uses that Russia may have for weapon systems that Russia has agreed to provide for disposal. The Director, Defense Threat Reduction Agency could help ensure that DoD officials are aware of risks involved with the CTR Program by reporting identified risks to the Under Secretary of Defense for Policy. (See the Finding section of the report for the detailed recommendations.)

Management Comments. The Under Secretary of Defense for Policy and the Defense Threat Reduction Agency concurred with the recommendations. The Under Secretary stated that executive agents for Russia have agreed to amend implementing agreements to legally commit Russia to using U.S. assistance for intended purposes. In addition, an implementing arrangement was drafted for signature between DoD and the Russian Aviation and Space Agency, providing U.S. representatives continuous access to Russian project sites. The Under Secretary agreed to investigate the inclusion of remedies in implementing agreements with Russia, but stated doing so may not be beneficial from a policy perspective. The Under Secretary also stated that DoD is reviewing Defense Threat Reduction Agency recommendations on the future of the liquid propellant disposition facility. Further, the amended implementing agreement provides for audits of proceeds from CTR assistance. Also, the Under Secretary believes that the proceeds from heptyl sales must be monitored, applied to other CTR Program projects, and be subject to future audits and examinations. The Director, Defense Threat Reduction Agency stated that pending Office of the Under Secretary of Defense for Policy approval, the audit and examination team is preparing to inspect intermodal containers and review associated shipping documents. Also, the Director will prepare a report on the risks to achieving program objectives for the Under Secretary of Defense for Policy.

Audit Response. The planned actions are positive steps in the right direction. However, the Under Secretary needs to clarify four planned actions or planned alternative actions. For the recommendations to include remedies in agreements, to use the proceeds from the sale of heptyl for program purposes, and to mitigate program risks associated with achieving program objectives, the Under Secretary should more clearly describe the planned actions that will be taken. For the recommendation to expedite the determination of the future of the heptyl disposition facility, the Under Secretary should identify the planned use of the facility. We request that the Under Secretary provide comments that clarify the planned actions or alternative actions by November 29, 2002. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete comments.

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Background

On March 18, 2002, the Deputy Secretary of Defense requested that the Office of Inspector General of the Department of Defense (IG DoD) review the Cooperative Threat Reduction (CTR) Program project to convert liquid rocket fuel removed from intercontinental ballistic missiles in the Russian Federation (Russia) into a more benign substance, to provide advice on protecting DoD from similar pitfalls on other U.S.-funded projects that rely on Russian assurances, and to review the organizational arrangements between the CTR Policy office within the Office of the Under Secretary of Defense for Policy and the CTR Directorate at the Defense Threat Reduction Agency (DTRA). This report presents our conclusions on the rocket fuel project. The Office of Intelligence Review, IG DoD will provide advice in a separate report on how the intelligence community can improve DoD oversight on other CTR projects. We will also conduct a separate review to identify and evaluate other CTR projects that rely on Russian assurances, and evaluate organizational arrangements within DoD.

To reduce the threat posed by the weapons of mass destruction that remain in the territory of the former Soviet Union, Congress enacted Public Law 102-228 (section 2551 [note], title 22, United States Code), the Soviet Nuclear Threat Reduction Act of 1991. Public Law 102-228 designates DoD as the executive agent for the CTR Program. Public Law 102-228, and subsequent laws that continue the CTR Program, are commonly referred to as Nunn-Lugar legislation. Objectives of the act are to destroy chemical, nuclear, and other weapons; transport, store, disable, and safeguard weapons in connection with their destruction; and establish verifiable safeguards against proliferation of weapons of mass destruction. From FY 1992 through FY 2002, Congress appropriated \$4.7 billion for the CTR Program. With those funds, DoD provided assistance to Belarus, Georgia, Kazakhstan, Moldova, Russia, Ukraine, and Uzbekistan.

Framework for Assistance. DoD provides assistance to countries of the former Soviet Union through umbrella agreements and implementing agreements. The umbrella agreement with Russia, signed on June 17, 1992, establishes the overall framework under which the United States provides assistance to Russia. The umbrella agreement, which was to expire in June 1999, was extended by a protocol in June 1999 for an additional 7 years. The implementing agreements signed between DoD and designated executive agents of countries of the former Soviet Union outline the assistance and amounts the United States will provide. Generally, implementing agreements have been amended each year to increase the amount of assistance. The liquid propellant disposition project is managed under an implementing agreement commonly referred to as the Strategic Offensive Arms Elimination-Russia (SOAE-Russia) implementing agreement.

Russian Executive Agents. Although the umbrella agreement states that Russia and the United States shall enter into implementing agreements through executive agents and identifies the Ministry of Atomic Energy as Russia's executive agent, DoD entered into an implementing agreement with Russia's Committee for Defense Industries on August 26, 1993. On February 11, 1998, the implementing agreement was amended to transfer executive agent responsibility to the Ministry of Economics. Russia eliminated the Ministry of Economics in 2000 and moved

executive agent responsibility to the Russian Aviation and Space Agency (RASA). On August 30, 2002, DoD negotiated an implementing agreement identifying RASA as the Russian executive agent.

DoD Program Management. The Office of the Assistant Secretary of Defense (International Security Policy), under the Office of the Under Secretary of Defense for Policy, develops, coordinates, and oversees implementation of policy for the CTR Program. Since September 30, 1998, the CTR Directorate, DTRA has managed the day-to-day operations of the CTR Program. Prior to then, the Office of Under Secretary of Defense for Acquisition and Technology (now Acquisition, Technology, and Logistics) directed the CTR Program while the Defense Nuclear Agency, which became the Defense Special Weapons Agency in June 1995, managed projects.

Disposal of Liquid Propellant. Russia requested U.S. assistance to dispose of 30,000 metric tons¹ of liquid fuel (unsymmetrical dimethyl hydrazine) as well as 123,000 metric tons of oxidizer (dinitrogen tetroxide and mélange²). In Russia, unsymmetrical dimethyl hydrazine and dinitrogen tetroxide are known as heptyl and amyl, respectively. Russia needed assistance with the disposal of liquid propellant to facilitate the disposal of intercontinental ballistic missiles and submarine-launched ballistic missiles. The liquid propellant disposition project includes removing the heptyl and amyl from missile sites, transporting the material to storage sites, and converting the material into commercial products. A more complete description of the liquid propellant disposition project is in Appendix C.

In the SOAE-Russia implementing agreement, DoD agreed to provide equipment, services, and training to Russia so they could incinerate the heptyl and amyl. The equipment included 8 transportable incinerators and 220 tanker railcars. In a March 1994 meeting with Russian officials, however, the Special Coordinator for Cooperative Threat Reduction, under the Assistant Secretary of Defense (International Security Policy), stated that DoD would develop a contract solicitation for heptyl disposal. Also, the Special Coordinator stated that instead of tanker railcars DoD would provide intermodal containers, flatbed railcars, and cranes for handling the intermodal containers. As of July 2, 2002, DoD had obligated at least \$164.5 million and disbursed \$137.2 million to assist Russia in the disposal of heptyl and amyl.

Heptyl Disposition System. The heptyl disposition project would provide Russia with two disposition systems,³ located in Krasnoyarsk, Russia, and capable of converting 30,000 metric tons of heptyl into a commercial product. After a contract competition, the Defense Nuclear Agency awarded contract

¹ A metric ton equals 2,204.6 pounds.

² Mélange is a mixture of dinitrogen tetroxide, nitric acid, and corrosion inhibitors used in tactical missiles.

³ Initially, DoD was to provide three propellant disposition systems. However, because Strategic Arms Reduction Treaty II completion times were moved from 2003 to 2007, the third system was no longer needed. DoD is storing as replacement parts the parts for the third system at Krasnoyarsk.

DNA001-95-C-0066 to Thiokol Corporation in April 1995. Later, DoD modified that contract to include required equipment and infrastructure that Russia initially agreed to finance. DoD also awarded two other contracts to support the heptyl disposition system. One contract was for shipping required equipment to the facility and the other was for logistical support. As of July 2, 2002, DTRA had obligated \$94.4 million and disbursed at least \$85.4 million for the heptyl disposition facility and associated shipping and logistical support. In addition, DoD has obligated \$1.2 million to maintain and secure the heptyl disposition facility, while DoD considers the future of the facility. Photographs of the heptyl disposition facility are in Appendix D.

Amyl Disposition System. The amyl disposition system would provide Russia with up to two systems that would convert amyl into nitric acid. After a contract competition, DTRA awarded contract DTRA01-99-C-0057 to Bechtel National, Incorporated in June 1999. Initially, Bechtel National, Incorporated was contracted to design, fabricate, and test up to two mobile systems that would convert 43,000 metric tons of amyl and 80,000 metric tons of mélange into nitric acid. Later, DoD agreed with a Russian request that the systems be permanent and located at the Russian cities of Aleksin and Krasnoyarsk. In February 2002, DoD removed the mélange-processing requirement because mélange was not considered a strategic missile oxidizer. As of July 2, 2002, DTRA had obligated \$17.8 million and disbursed \$10.1 million for designing and building the amyl disposition systems.

Other Assistance Associated With Propellant Disposal. DoD also provided equipment and transportation services to Russia that assisted with propellant disposal, and DoD was to operate and maintain the disposition facilities. DoD provided equipment, including 125 flatbed railcars, 670 intermodal tank containers, and 7 cranes to transport and temporarily store the propellant, as well as logistic support and shipping of the equipment, through 7 contracts. For those contracts, DTRA had obligated \$47.8 million and disbursed \$39.7 million as of July 2, 2002. DoD provided transportation services through several contracts for rail services to move the propellant from missile sites to storage sites in Russia. As of July 2, 2002, DTRA had obligated and disbursed \$2 million to transport propellant. Operation and maintenance of the disposition facilities was included in an August 2000 contract awarded to Kellogg, Brown, and Root, Incorporated. That contract also required the contractor to dismantle intercontinental ballistic missiles and their launchers and plan for and transport propellant from storage sites to the disposition facilities. As of July 2002, DTRA had obligated \$1.3 million to plan for and transition to disposition system operations, but did not have disbursement amounts readily available for that obligation.

Objectives

The overall objective of this audit was to review the CTR project to convert liquid rocket fuel from intercontinental ballistic missiles into a more benign substance. Specifically, we evaluated the viability of the liquid rocket propellant disposition facilities built for Russia and controls over liquid rocket propellant. See Appendix A for a discussion of the audit scope and methodology.

Facilities That Dispose of Rocket Propellant and Oxidizer

Although the CTR Program obligated \$112.2 million and disbursed \$95.5 million to design and build facilities that would convert heptyl and amyl into commercial products, Russian officials informed DoD in February 2002 that Russia used the heptyl and amyl for its commercial space program. That condition occurred because the SOAE-Russia implementing agreement did not require Russia to provide the heptyl and amyl for disposal and because neither the umbrella agreement nor the SOAE-Russia implementing agreement provided adequate access rights to DoD or remedies for non-performance. In addition, DTRA has not inspected the equipment the United States provided to Russia for transporting and storing the heptyl and amyl since June 1999, nor did DTRA identify other uses of the heptyl and amyl as a program risk. As a result, the heptyl and amyl disposition facilities that cost the United States \$95.5 million through July 2, 2002, will not be required for their intended purpose. In addition to those costs, DTRA has obligated \$1.2 million for maintenance and security of the heptyl disposition facility while DoD considers the future of the facility.

National Defense Authorization Act for Fiscal Year 2002

Section 1304 of the Public Law 107-107, National Defense Authorization Act for Fiscal Year 2002, requires the Secretary of Defense to consider the use of revenue generated by activities carried out under CTR programs in negotiating and executing contracts with Russia.

Management Control Guidance

Office of Management and Budget Circular No. A-123, "Management Accountability and Control," June 21, 1995, provides guidance to Federal managers for improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting management controls. The circular states that management accountability is an expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs, and mitigating adverse aspects of agency operations. The circular also states that management controls, including the organization, policies, and procedures, are tools used to reasonably ensure that programs achieve results and safeguard the integrity of programs. The circular requires managers to incorporate basic management controls in strategies, plans, guidance, and procedures that govern their programs and operations. It states that the controls shall be consistent with specific standards drawn from the "Standards for Internal Control in the Federal Government," issued by the General

Accounting Office. One specific standard cited in the guidance is that the management controls must provide reasonable assurance assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

"Standards for Internal Control in the Federal Government," November 1999, provides the framework for establishing and maintaining internal control within the Federal Government. The guidance states that internal controls, which it identifies as synonymous with management controls, serve as the first line of defense in safeguarding assets. The guidance also states that management needs to identify risks and should consider all significant interactions with other parties as well as internal factors. In addition, the standards require that control activities, which are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of Government resources, help ensure that actions are taken to address risks.

Commercial Space Launch Agreement

During the time that DoD and the Russian executive agent were planning to dispose of the heptyl and amyl from Russian missiles, the United States and Russia were negotiating Russia's entry into the commercial space launch business. In September 1993, the United States and Russia signed the "Agreement Between the Government of the United States of America and the Government of the Russian Federation Regarding International Trade in Commercial Space Launch Services." That agreement, amended in January 1996, sets forth the principles for Russia to contract with international customers to provide space launch services. The agreement allowed Russia to launch as many as 20 principal payloads through December 2000, when the agreement expired. The agreement requires Russia to ensure that market principles are applied to international competition; not to distort competition among providers of commercial space launch services; and not to engage in unfair business practices that secure contracts for commercial space launch services. Russia also agreed that its space launch service providers would charge prices comparable to prices that commercial space launch service providers from market economy countries offered. Russia has continued to provide commercial space launch services since the agreement expired.

State of the Liquid Propellant Disposition Project

Although the CTR Program obligated \$112.2 million and disbursed \$95.5 million to design and build facilities that would convert heptyl and amyl into commercial products, RASA officials failed to inform DoD that Russia used the heptyl and amyl for its space program until confronted by DoD officials in February 2002. According to the DTRA project manager, the heptyl disposition systems were virtually complete as of April 2002, and the contractor was expected to start operating the disposition facility in July 2002. The amyl disposition facility was still in the design phase when DTRA terminated the contract in July 2002.

Unavailable Liquid Propellant. According to DTRA officials, the initial indication that heptyl would not be available for disposal was in January 2002 during informal discussions with RASA officials. Following those discussions, on February 13, 2002, the Director, CTR Directorate telephoned the Director of the Missile Technologies Division, RASA to obtain an explanation and request a formal response. According to the DTRA record on the telephone discussion, the RASA official confirmed "the reprocessed heptyl was made available to the commercial Proton⁴ program and for missile development tests." He also stated that although heptyl tank farms were almost dry, the Ministry of Defense (MOD) saw a continuing need for the heptyl disposition facility because of uncertainties surrounding the number of future space launches.

Russia's Official Response. In a letter dated May 24, 2002, the Director of the Missile Technologies Division provided the official response for Russia. The Director stated that although the heptyl disposition units were supposed to have started functioning by the end of 1997, the disposition units were still not tested or certified for operation. The Director projected that testing and certification could take another year to complete. In explaining the situation in Russia, the Director stated that by the mid-1990s, heptyl storage facilities at MOD sites were full and Russia had stopped manufacturing new heptyl. He also stated that Russia had stopped producing land-based and sea-based ballistic missiles and that Russia had very few commercial launches of the Proton rocket. Because Russia lacked the capacity to produce and store heptyl, the Director explained that in 1996, when the number of Proton launches started to increase, officials decided to regenerate heptyl at its Salavat plant⁵ to fuel commercial launches. In explaining why DoD was not informed, he stated

However, practically speaking, given the extreme uncertainty of the constantly changing situation, it was very difficult for Russia to inform you properly without harming Russia's plans associated with strategic offensive arms elimination under START [Strategic Arms Reduction Treaty] I and II, since these plans made it possible to fairly fully load the two units being built in Krasnoyarsk with work.

Meetings With RASA Officials. The DTRA project manager and IG DoD representatives met with RASA officials in June 2002. The Director of the Missile Technologies Division indicated that untimely completion of the project had little impact on the Russian decision to use the heptyl for space launches. Regarding the delays, the Director explained that neither Russia nor the United States fully understood the complexities involved with the heptyl disposition project, which was new technology, until after the project started. The RASA project manager for the heptyl disposition facility stated that he first learned that Russia was using heptyl for the Russian space program in late December 2001. The RASA project manager stated that prior to December 2001, officials of the

⁴ A Proton is a Russian space launch vehicle that uses heptyl and amyl.

⁵ In a followup meeting, the Director stated that in 1995 Russia converted the Salavat plant to a facility that could regenerate the heptyl removed from missiles. However, the Director stated that Russia is reconfiguring the plant so that it will produce new heptyl and that regenerating heptyl was not cost effective.

Fuels Directorate, MOD, which owned and controlled the heptyl, made frequent inquiries about when the disposition facility would be completed. The inquiries led the RASA project manager to believe a continuing need existed for a disposition facility. The RASA project manager acknowledged, however, that prior to December 2001, he had difficulties obtaining heptyl from MOD. Organizationally, the RASA project manager stated no coordination between his office and RASA offices responsible for space launches took place, which contributed to not knowing sooner that MOD was selling heptyl for space launches to the Khrunichev State Research and Production Space Center. Within the Russian government, the RASA project manager estimated that MOD deserved 75 percent of the blame for not informing DTRA sooner while RASA deserved 25 percent of the blame.⁶ In that regard, the RASA project manager stated that DoD should have had an agreement with MOD requiring delivery of heptyl to the disposition facility.

Launches of Heptyl-Fueled Vehicles

During 1992 when DoD and Russian officials were initially making decisions on the disposal of heptyl and amyl, Russia was experiencing a decrease in the number of heptyl-fueled space launches. (In 1990, Russia launched 34 heptyl-fueled rockets. In both 1992 and 1993, the number decreased to 20 each year.) Since 1995, however, when the Defense Nuclear Agency contracted to build the heptyl disposition facility and RASA officials stated that Russia stopped producing new heptyl, Russia has launched 102 heptyl-fueled rockets through June 2002, using 12,500 metric tons of heptyl. In addition, Russia could have used significantly more heptyl to test rocket engines. According to a trip report prepared by a DTRA contractor, RASA officials stated Russia test fires each rocket engine using 100 percent of the fuel capacity.⁷ Details on Russian space launches and heptyl use from 1990 through June 2002 are in Appendix E.

Disposal Requirements, Equipment Inspections, and Risks

Russia used the heptyl and amyl without DoD knowledge because the agreements with Russia did not require Russia to provide the heptyl and amyl for disposal, including remedies for non-performance, and did not provide DoD with any access rights over heptyl and amyl storage. Also, DoD has not performed inspections of the equipment the United States provided to Russia for transporting and storing the heptyl and amyl since June 1999, nor did DoD identify other uses of the heptyl and amyl as a risk to the program. Including requirements and better

⁶ We did not contact MOD to obtain its position.

⁷ According to an official at the National Aeronautics and Space Administration, each rocket engine undergoes acceptance testing using procedures agreed to between the manufacturer and user. That testing may or may not include a flight-duration test to evaluate flight worthiness. In addition, he stated that the engines would also undergo development, qualification, and certification testing, all of which would consume fuel.

access rights in agreements, along with conducting more frequent and comprehensive inspections, would have helped ensure better stewardship of Government resources used for the liquid propellant disposition project. Identifying other uses of heptyl and amyl as a risk would have helped ensure that actions were taken to address that risk.

Disposal Requirements and Access Rights. The SOAE-Russia implementing agreement did not require Russia to provide the heptyl and amyl for disposal, and neither the umbrella agreement nor the SOAE-Russia implementing agreement provides adequate access rights to DoD. Also, those agreements did not include any remedies in case Russia failed to provide the heptyl and amyl for disposal. In addition, when DoD and Russia agreed to dispose of heptyl and amyl through a competitive contract, the informal arrangements used did not require Russia to provide the heptyl or amyl for disposal. Those informal arrangements included an exchange of letters and the issuance of a joint statement between the United States and Russia.

Heptyl and Amyl Disposal Requirements. The initial arrangements for DoD to assist Russia in disposing of the heptyl and amyl are included in Annex A and Annex B to the SOAE-Russia implementing agreement. However, the SOAE-Russia implementing agreement did not require Russia to provide the heptyl and amyl for disposal. Annex A states that DoD may provide transportable incinerators, capable of incinerating heptyl or amyl, along with other services and maintenance. Annex B states that DoD may provide railcars for transportation and temporary storage of heptyl and amyl. However, the SOAE-Russia implementing agreement did not include provisions that require Russia to provide the heptyl and amyl for disposal, and provided no remedies in case Russia failed to do so. Instead, the SOAE-Russia implementing agreement limits Russia's responsibilities to providing DoD with documents that contain recommended performance specifications and requirements for material, services, and training the DoD provides.

Changes to the assistance agreed to in Annex A and Annex B were outlined in a letter from the Special Coordinator for Cooperative Threat Reduction to Russia's Director of the Committee for Defense Industry, dated April 19, 1994. The changes did not require Russia to provide heptyl and amyl for disposal. In that letter, the Special Coordinator stated that instead of providing incinerators and railcars, DoD would solicit private industry for proposals to eliminate heptyl in an environmentally sound manner. The Special Coordinator also agreed that DoD would provide intermodal containers, flatbed railcars, and cranes. As in the SOAE-Russia implementing agreement, DoD did not require Russia to provide the heptyl for disposal or provide any remedies if Russia did not use the assistance provided. The United States and Russia met from April 19, 1994, through May 6, 1994, to review the performance specifications for the heptyl disposition project. The results of that meeting were summarized in a joint statement. The joint statement states that Russia agreed to accept the most cost-effective disposal method. However, the joint statement does not require Russia to provide the heptyl for disposal.

Access Rights. Neither the umbrella agreement nor the SOAE-Russia implementing agreement provides adequate access rights for DoD. The umbrella

agreement provides DoD with the right to examine Russia's use of material, services, and training provided by the United States upon request and according to procedures to which both countries agree. The SOAE-Russia implementing agreement provides procedures for conducting audits and examinations. That agreement requires that DoD provide a 30-day written notice prior to performing an audit and examination as well as specifying that audits and examinations are limited to no more than three each calendar year, and concurrently at no more than two sites. The agreements did not allow DoD access to conduct inventory inspections of heptyl and amyl at MOD tank farms. Also, officials from the Office of the Under Secretary of Defense for Policy stated that they never sought the right to inventory the heptyl; however, not inventorying the heptyl limited their knowledge of the amount of heptyl available for conversion.

On June 15 and June 16, 1999, the United States and Russia signed a protocol that extended the umbrella agreement for an additional 7 years and amended several terms. The amended terms state that each country's executive agent should negotiate procedures for conducting audits and examinations. Until July 2002, the Office of the Under Secretary of Defense for Policy had not arranged to discuss DoD rights for conducting audits and examinations with Russia. According to DTRA officials, DTRA had not inspected any equipment provided under the SOAE-Russia implementing agreement, including intermodal containers, since June 1999 because new arrangements had not been finalized. If reinstituted, audits and examinations would complement project oversight DTRA project managers provide.

Remedies. Neither the umbrella agreement nor the SOAE-Russia implementing agreement provides for remedies should Russia fail to use the equipment, services, and training DoD supplies to assist Russia in disposing of the heptyl and amyl. Remedies included in the agreements would have provided DoD and Russia's executive agents with an understanding of the consequences and procedures to follow if products are not delivered, making facilities unusable for their intended purpose.

Equipment Inspections. Although DTRA has not performed an audit and examination on equipment provided to Russia for transporting and storing the heptyl and amyl since June 1999, the three inspections performed prior to that date were not fully effective. Those inspections included audits and examinations performed from March 27 through April 3, 1999, September 23 through September 29, 1998, and June 9 through June 20, 1996. Although two inspections identified that Russia improperly used some intermodal containers for mélange, the audits and examinations performed during 1998 and 1999 were not complete enough to identify the extent of improper use of the equipment. According to a former member of the audit and examination team, the audits and examinations were limited to comparing the serial numbers on intermodal containers against the list of serial numbers the project manager provided, identifying the location, and noting the condition of each container. The former team member stated that the audit and examination team did not verify the contents of the intermodal containers or examine rail transportation records. Instead, Russian officials accompanying the team identified the contents of the intermodal containers because team members did not have the equipment needed to safely examine the intermodal containers. DTRA officials stated that the audit

and examination team also lacked the necessary training to safely inspect the intermodal containers and ascertain whether they actually held heptyl. Examining rail transportation records could have identified whether Russia was using the intermodal containers to ship the heptyl and amyl to space launch sites or other locations. However, DTRA officials stated that the audit and examination team did not have the right to examine the rail transportation records, or the Russian heptyl fuel tank farms, where the approximately 30,000 metric tons of heptyl was stored.

Risks. As early as December 1992, Russian officials had informed DoD officials of plans to use some of the heptyl removed from ballistic missiles for space launches. However, Russian officials estimated that only 3,000 metric tons would be consumed. In 2000, DTRA started to include general and specific risks in its project plans for the heptyl disposition facility. General risks for that project included cost; project access, including the number of yearly visits by the project manager; time since the last audit and examination; site access restrictions; and project status. The specific risks for the heptyl disposition project were finding and training qualified Russian operators, and operational performance that followed long-term outside storage of the disposition facility. However, the project plans, which are updated annually, did not identify as a risk that Russia might use heptyl for other purposes. Other possible uses of heptyl should have been identified as a risk for three reasons. First, Russian officials informed DoD officials in 1992 of their plans to use for space launches some of the heptyl removed from ballistic missiles. Second, Russia's executive agent did not control the heptyl. Third, DTRA did not have the authority to inventory heptyl Russia was storing at MOD sites. By identifying other possible uses of heptyl as a risk and informing the CTR Policy Office of that risk, DoD management could have taken action to mitigate the risk. DTRA officials stated that they would send reports regarding the risks to achieving program objectives to the Under Secretary of Defense for Policy through its chain of command, the Under Secretary of Defense for Acquisition, Technology and Logistics.

Fund Use and Options For the Heptyl Disposition Facility

Because RASA officials stated that Russia has used most of the heptyl removed from ballistic missiles, the heptyl and amyl disposition facilities that cost the United States \$95.5 million through July 2, 2002, will not be used for their intended purpose. In addition, the United States obligated \$1.2 million to maintain the heptyl disposition facility from March 29 to September 30, 2002, while DoD considers the future of the facility. DoD also supplied assistance totaling at least \$41.7 million to transport and store the heptyl and amyl.

Fund Use. Because RASA officials stated that Russia has used most of the heptyl removed from ballistic missiles, the heptyl and amyl disposition facilities will not be used for their intended purpose. Had Russian officials informed DoD that Russia was using more heptyl for space launches than initially anticipated, DoD could have re-evaluated the disposition project sooner. A re-evaluation would have provided DoD with an opportunity to fund other important CTR projects that dismantled weapons of mass destruction.

Options for the Fuel Disposition Project. After DTRA was notified about Russia's heptyl use, DTRA initially placed a stop-work order on the heptyl and amyl disposition facilities while DoD developed and considered its options. In February 2002, the Office of the Under Secretary of Defense for Policy drafted a list of options and associated costs for the heptyl and amyl disposition facilities. Although the options were provided on an interim basis until the Office of the Under Secretary of Defense for Policy and DTRA could develop a more comprehensive list, the options developed did not include alternatives for assistance provided to Russia for de-fueling missiles and transporting heptyl and amyl. In March 2002, DTRA requested that RASA provide options for the heptyl and amyl facilities. RASA responded on May 24, 2002, stating that it would consider options to convert the heptyl disposition units so the units could eliminate chemical weapons or explosives, sell the units on the world market, or mothball the units. As of July 23, 2002, DoD was considering the future of the disposition facility, but did not make a decision.

Heptyl Disposition Facility Options. The preliminary options for the heptyl disposition facility included readying the systems for operation (\$4 million), preparing the facility for storage "mothballing" (\$600,000), converting the facility for other CTR projects (costs unknown), and scrapping the facility to sell high-value components (\$5 million revenue).⁸ In its May 24, 2002, response, RASA stated that although Russia could provide for disposal of about 12,000 metric tons of heptyl in the future, using the heptyl for pre-launch testing of the Proton rockets made better financial sense. As of July 2002, the United States continued to pay more than \$197,000 a month to maintain and secure the heptyl disposition facility, while DoD officials were deciding on a course of action.

Amyl Disposition Facility Options. The preliminary options for the amyl disposition facility included completing the project (\$30 million), providing one unit (\$18 million), terminating the project in its current state (\$2.7 million), and terminating the project after completing the design (\$3.4 million). In its May 24, 2002, response, RASA indicated that because Russia planned to combine the disposal of amyl and mélange and the United States decided not to participate in mélange disposal, Russia would finance oxidizer disposal alone. In addition, RASA requested that the United States transfer the technical documents for the disposition facility that were developed with U.S. funds to RASA. After considering the options, DTRA terminated the contract for the amyl disposition facility in July 2002, and according to DTRA officials they expect to deobligate \$3.5 million of unused contract costs. In addition, DTRA officials stated that they plan to transfer in November 2002 the technical documents for the amyl disposition facility to RASA.

De-Fueling and Transportation. Although the preliminary options do not include information on the future use of equipment and services to de-fuel missiles and transport and store heptyl and amyl, as Public Law 107-107 requires, DoD should consider that Russia was generating revenue from selling the fuel for use in commercial space launches and that there are additional missiles to de-fuel.

⁸DTRA officials informed us on September 25, 2002 that the revenue from the sale of high-value components is estimated at about \$3 million.

The breakdown of costs for de-fueling was not readily available, however, DoD assistance related to transporting and storing heptyl and amyl totaled at least \$41.7 million through July 2, 2002. Those costs include \$39.7 million for railcars and intermodal containers and \$2 million for transporting heptyl and amyl from Russia's northern naval facilities and from intercontinental ballistic missiles to MOD sites. DoD also paid to de-fuel missiles and transport heptyl and amyl from Russia's Pacific naval facilities and to administer the projects.

Management Actions Taken

After RASA officials notified DoD that Russia was using heptyl for commercial space launches, the Office of the Under Secretary of Defense for Policy established an Executive Review program and amended the SOAE-Russia implementing agreement.

The Executive Review program was designed to increase communication between DoD and the Russian executive agents. The Executive Review program offers opportunities for DoD and Russian executive agents to identify and implement changes to project assumptions and objectives, obtain legally binding commitments, and avoid expenditure of funds if Russia cannot meet its commitments. The program requires officials from DoD and Russian executive agencies to review CTR projects that rely on unwritten, good faith obligations from Russia. The first Executive Review meeting took place the last week of July 2002. According to the Office of the Under Secretary of Defense for Policy, the DoD team reviewed all CTR projects that rely on good faith obligations and Russian executive agents stated that they were prepared to hold semi-annual reviews, amend implementing agreements to include binding legal commitments to use U.S. assistance for intended purposes, and sign documents that describe assumptions, requirements, and responsibilities for each project.

The Office of the Under Secretary of Defense for Policy also stated that the SOAE-Russia implementing agreement was amended on August 30, 2002. The amended implementing agreement authorizes DoD to audit the proceeds of CTR assistance and extends the agreement until June 17, 2006.

Conclusions

Although the CTR Program obligated \$112.2 million and disbursed \$95.5 million to design and build facilities to convert heptyl and amyl into commercial products, RASA officials informed DoD that Russia used the heptyl and amyl for its commercial space program. RASA officials agreed that Russia should have notified DoD of that use sooner. Citing communication problems within RASA, the RASA project manager for the heptyl disposition facility stated that he was not aware until December 2001 that Russia was using the heptyl from dismantled ballistic missiles for the space program.

Although Russia should have informed DoD, DoD could have provided better stewardship to protect the U.S. investment in the heptyl and amyl disposition facilities. Agreements should have required that Russia provide the heptyl and amyl for disposal and provide DoD with access to heptyl and amyl inventories. To ensure enforceability of any agreement, the proper instrument would be an implementing agreement, with remedies for non-performance.

DoD now faces decisions on what to do with the heptyl disposition facility. Options include mothballing the facility, converting the facility for other CTR projects, or selling the high-value components of the facility. While DoD has considered all of those options, the United States has obligated \$1.2 million to maintain the facility, more than \$197,000 a month. According to RASA officials, heptyl tank farms are almost empty. Therefore, limited storage capacity for heptyl and amyl is no longer a hindrance to the destruction of ballistic missiles. As such, no reason appears to exist for DoD to unnecessarily spend additional funds on the heptyl disposition facility. If the MOD wants the disposition facilities as a contingency, DoD should consider turning the heptyl disposition facility over to the Russian government, and allow the MOD to finance any additional work on the facility. Should it decide to maintain the facility, DoD should limit additional obligations and disbursements to assistance that facilitates elimination of weapons of mass destruction.

DoD should also consider options for the removal, transportation, and storage of the heptyl and amyl that remains in ballistic missiles, as that assistance benefits commercial space launches for Russia. The proceeds from the sale of heptyl and amyl could be used for CTR Program purposes.

Management Comments on the Finding and Audit Response

Deputy Under Secretary of Defense, Technology Security Policy and Counterproliferation. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) stated that in addition to those management actions taken already outlined in the report, the Deputy Under Secretary drafted an SOAE Joint Requirements and Implementing Plan; commenced an SOAE audit and examination on August 24, 2002; and drafted a Transparency Protocol for the Fissile Material Storage Facility at Mayak, Russia.

The Deputy Under Secretary estimated that 15,000 metric tons of heptyl remain in Russian ballistic missiles that were identified for dismantlement in the future. Because the Russian MOD indicated that the heptyl would not be available for conversion and would be used instead in the commercial space program, the Deputy Under Secretary agreed that the proceeds from the sale of that heptyl should be monitored, applied to other CTR projects, and become the subject of future audits and examinations.

Audit Response. We commend the Deputy Under Secretary's office for its efforts to acquire greater Russian commitments, further DoD access and audits

and examinations rights, and commit to the view that proceeds from the sale of heptyl for the commercial space launch program be monitored, applied to other CTR projects, and become the subject of future audits and examinations.

Defense Threat Reduction Agency. The Deputy Director, DTRA stated that DTRA assesses the potential risk to a project after the requirement has been identified and when a plan for implementation is being developed. The Deputy Director also stated that based on its annual evaluation, consisting of several steps to assess the project plan's overall risk of succeeding, and the possible misuse of the assistance, DTRA would develop strategies to mitigate the risk in each of these areas. However, the Deputy Director stated that the steps occur after the United States anticipates making a significant investment in facilities to destroy or convert the materials. The Deputy Director also stated that DTRA informally provides the possible alternative uses of the item to the Office of the Under Secretary of Defense for Policy.

Audit Response. We recognize factors exist that are beyond the control of DTRA, such as knowing a foreign country's possible intentions. However, identifying possible alternative uses of the involved material and sharing that information with the Office of the Under Secretary of Defense for Policy would assist DoD management in taking actions to mitigate the risks.

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Under Secretary of Defense for Policy:

a. Negotiate amendments to Cooperative Threat Reduction Program implementing agreements with Russia that:

(1) Require a commitment from Russia to provide the weapon systems and their components when the United States anticipates that it will make a significant investment in facilities.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred, stating that executive agents for Russia have agreed to amend implementing agreements to include binding, legal commitments to use U.S. assistance for intended purposes. The Deputy Under Secretary also stated that Russian officials agreed to complete and sign documents that describe assumptions, requirements, and responsibilities for each project.

(2) Provide adequate access rights to DoD, including audits and examinations and access to materials identified for destruction or conversion in facilities for which the United States pays.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred, stating that an implementing

arrangement was drafted for signature between DoD and RASA, providing U.S. representatives continuous access to Russian project sites when contracted services are ongoing.

(3) Provide for remedies when Russia fails to use the equipment, services, and training DoD supplies.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred but stated that although remedies can be included in agreements, doing so may not be beneficial from a policy perspective. The Deputy Under Secretary agreed to investigate the matter further.

Audit Response. Although the Deputy Under Secretary concurred with the recommendation, additional comments are requested. After the investigation of remedies is completed, we request that the comments explain the planned course of action.

b. Expedite the determination of the future of the heptyl disposition facility.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred stating that DoD is reviewing recommendations DTRA provided on September 4, 2002.

Audit Response. In response to this report, we request that the Deputy Under Secretary state the planned use of the heptyl disposition facility and any completion dates.

c. Request that Russia use the proceeds from the sale of heptyl for Cooperative Threat Reduction Program purposes.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred, stating that the amended SOAE implementing agreement provides for audits of proceeds from CTR assistance. The Deputy Under Secretary also believes that the proceeds from heptyl transferred or sold for Russia's commercial space launch program must be monitored, applied to other projects, and become subject to future audits and examinations.

Audit Response. The Deputy Under Secretary concurred with the recommendation, however, in response to this report, we request clarification on the planned actions that will ensure proceeds from the sale of heptyl are used for CTR Program purposes.

d. Mitigate the risks to achieving program objectives after receiving the program risks from the Director, Defense Threat Reduction Agency.

Management Comments. The Deputy Under Secretary of Defense (Technology Security Policy and Counterproliferation) concurred.

Audit Response. Although the Deputy Under Secretary concurred with the recommendation, the Deputy Under Secretary did not provide planned actions and the completion date of the planned actions. In responding to this report, we request that the Deputy Under Secretary provide the actions planned to meet the intent of the recommendation.

A.2. We recommend that the Director, Defense Threat Reduction Agency:

a. After the Under Secretary of Defense for Policy negotiates improved access, perform more complete inspections of equipment provided to Russia that will ensure proper usage.

Management Comments. The Director, DTRA concurred, stating that pending Office of the Under Secretary of Defense for Policy approval of agreements on audits and examinations, the audit and examination team is preparing to inspect intermodal containers to determine the container contents and review associated shipping documents.

b. Identify potential alternative uses of the involved material as a risk to achieving program objectives when the United States anticipates making a significant investment in facilities to destroy or convert those materials.

Management Comments. The Director, DTRA concurred, stating that when the United States anticipates making a significant investment in facilities to destroy or convert those materials, DTRA will formally provide alternative uses of materials to the Office of the Under Secretary of Defense for Policy.

c. Report annually, and as needed, to the Under Secretary of Defense for Policy risks to achieving program objectives.

Management Comments. The Director, DTRA concurred, stating that they will send a report that notes the risks in achieving program objectives to the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics for signature and transmittal to the Under Secretary of Defense for Policy.

Appendix A. Scope and Methodology

We reviewed DoD methods and policies used to administer the CTR Program, which included program, project, and financial management. The review included provisions of Nunn-Lugar legislation, international agreements, DoD directives, and OMB circulars. The documentation reviewed covered July 1991 through July 2002.

We conducted interviews with officials from the Office of the Under Secretary of Defense for Policy; General Counsel, DoD; DTRA; the National Aeronautics and Space Administration; the Harvard-Smithsonian Center for Astrophysics; and International Launch Services, Incorporated. We also visited project sites in Russia to interview Russian officials and U.S. contractor representatives. In addition, we observed CTR Directorate personnel while they reviewed the heptyl and amyl projects at sites within Russia.

We evaluated the ability of DoD to efficiently and effectively manage the CTR Program. Specifically, we identified and analyzed requirements, policy, and guidance DoD and DTRA officials established and implemented to provide assistance to Russia. The review included an examination of the Strategic Arms Reduction Treaty I and Strategic Arms Reduction Treaty II and an evaluation of the umbrella agreement and the SOAE-Russia implementing agreement between DoD and Russia. Also, we examined the audit and examination process of the CTR Program, compared the controls over the liquid rocket propellant disposal with management control requirements published by the Office of Management and Budget and the General Accounting Office. In addition, we evaluated the viability of the liquid propellant disposition facility.

We performed this audit from April through August 2002 in accordance with generally accepted government auditing standards. The DTRA project manager arranged meetings with Russian officials. Staff of the IG DoD accompanied the DTRA team on its review of the project. However, given that Russia is a sovereign nation, we were limited in the types of questions we could ask Russian officials and access to internal Russian records. We did not review the management control program in this audit.

Use of Computer-Processed Data. We did not evaluate the general and application controls of the Centralized Accounting and Financial Resource Management System, which accounts for DTRA funds because that was outside the scope of our review. To support the obligations and disbursements for the liquid propellant disposition facilities and other assistance related to transporting and storing heptyl and amyl, we relied on data that system produces. Inadequate controls in the Centralized Accounting and Financial Resource Management System could affect the obligations and disbursements included in this report.

Appendix B. Prior Coverage

During the last 5 years, the General Accounting Office and the IG DoD have issued seven reports that discuss the CTR Program. General Accounting Office reports can be accessed on the Internet at <http://www.gao.gov>. IG DoD reports can be accessed on the Internet at <http://www.dodig.osd.mil/audit/report>.

General Accounting Office

GAO Report No. 01-694, "Cooperative Threat Reduction: DoD Has Adequate Oversight of Assistance, but Procedural Limitations Remain," June 19, 2001

GAO Report No. NSIAD-0040 (OSD Case No. 1942), "Cooperative Threat Reduction: DoD's 1997-98 Reports on Accounting for Assistance Were Late and Incomplete," March 15, 2000

GAO Report No. RCED/NSIAD-00-82, "Nuclear Nonproliferation: Limited Progress in Improving Nuclear Material Security in Russia and the Newly Independent States," March 6, 2000

GAO Report No. NSIAD-99-76 (OSD Case No. 1756), "Weapons of Mass Destruction: Effort to Reduce Russian Arsenals May Cost More, Achieve Less Than Planned," April 13, 1999

IG DoD

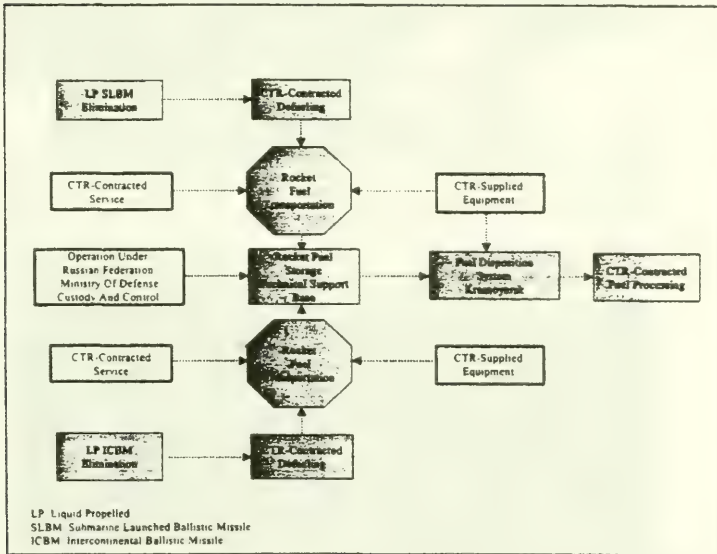
IG DoD Report No. D-2002-033, "Management Costs Associated With the Defense Enterprise Fund," December 31, 2001

IG DoD Report No. D-2001-074, "Cooperative Threat Reduction Program," March 9, 2001

IG DoD Report No. D-2000-176, "Defense Enterprise Fund," August 15, 2000

Appendix C. Liquid Propellant Disposition Process

The liquid propellant disposition project includes removing heptyl and amyl from missile elimination sites, transporting heptyl and amyl to storage sites, and processing heptyl and amyl with disposition systems. The project was to be conducted in three phases. Heptyl and amyl was first removed from Russian liquid propelled intercontinental ballistic missiles and liquid propelled submarine-launched ballistic missiles. That heptyl and amyl was then transported to storage bases owned and operated by the Russian MOD. Those locations include Ilyino, Moshkovo, Mulyanka, Rada, Turinskaya, and Vanino, Russia. Transportation of the heptyl and amyl was provided through CTR-contracted services using CTR-supplied equipment. Disposal of heptyl and amyl would occur upon delivery of the fuel from the MOD storage bases. The figure below outlines the liquid propellant disposition process.



Source: Defense Threat Reduction Agency

Liquid Propellant Disposition Process

Appendix D. Pictures of the Heptyl Disposition Facility, Krasnoyarsk, Russia

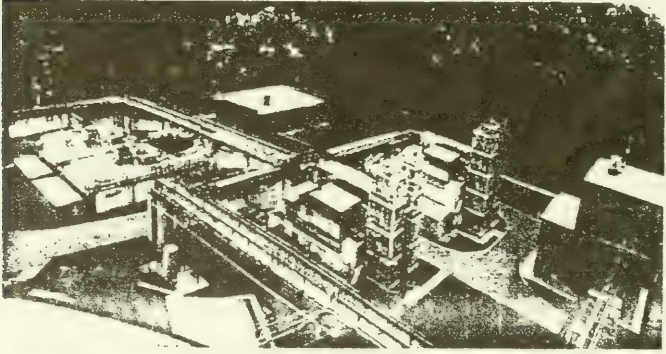


Figure D-1. Aerial view of the Heptyl Disposition Systems and Infrastructure



Figure D-2. Ground View of the Heptyl Fuel Disposition System

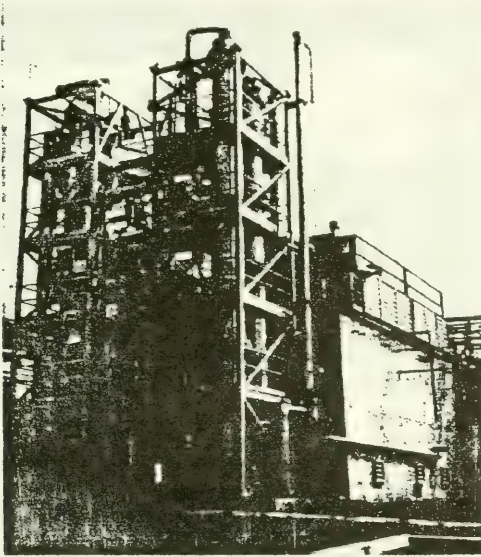


Figure D-3. Exterior of One of the Two Heptyl Disposition Units

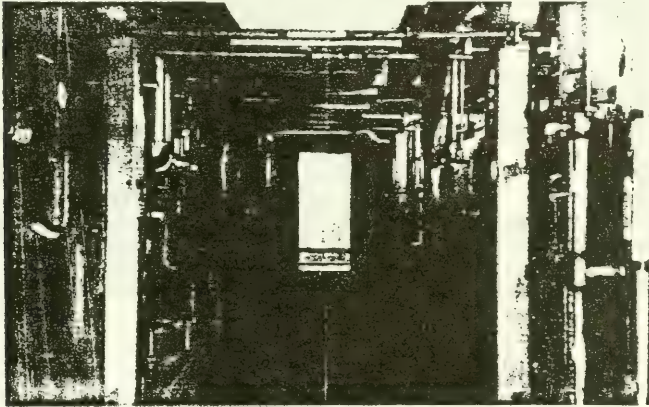


Figure D-4. Interior of One of the Two Heptyl Disposition Units

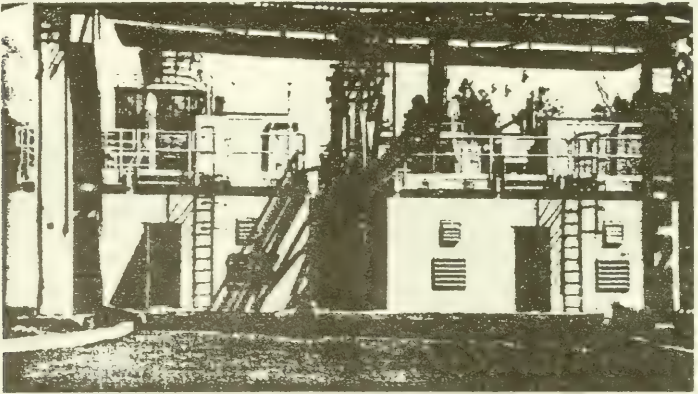


Figure D-5. Hydrogen Generator Buildings (One for Each Disposition Unit)

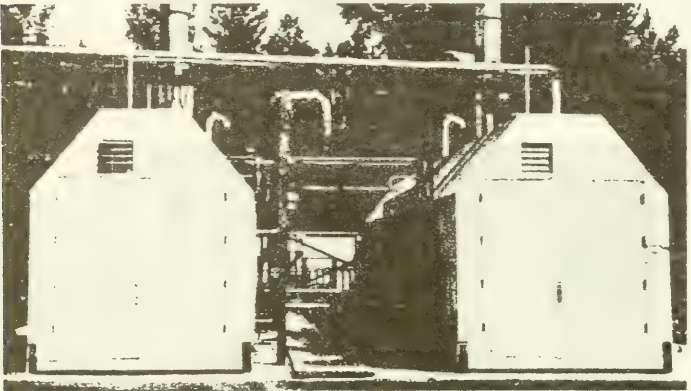


Figure D-6. Steam Generator Rooms (One for Each Disposition Unit)

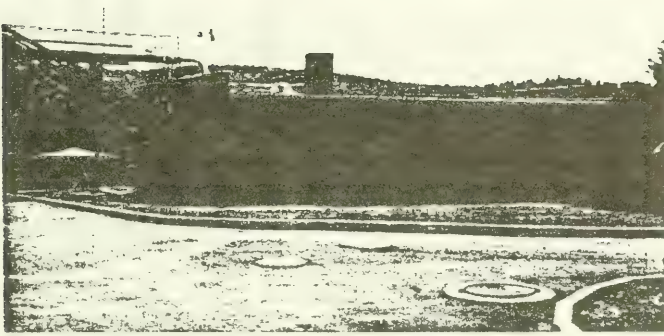


Figure D-7. Exterior of the Computer Process Control and Water Treatment System Building

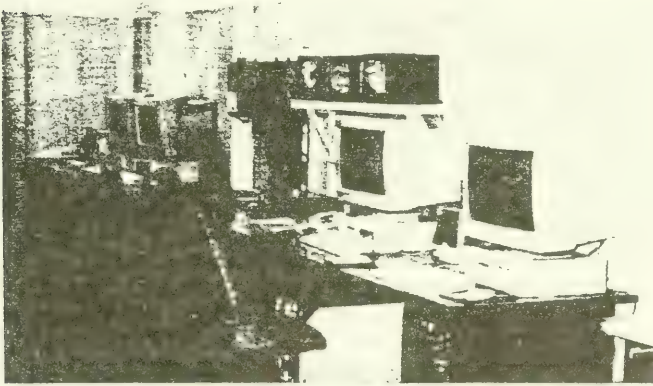


Figure D-8. Interior of the Computer Process Control Room

Appendix E. Heptyl-Fueled Launches and Heptyl Use Since 1990

According to available data,¹ compared to 1990 and 1991 levels, the number of Russia's heptyl-fueled space launches has fallen since 1992. Also, generally the amount of heptyl used after 1991 decreased, but not as much as launches because the average number of launches that use Proton launch vehicles has decreased at a lesser rate. Since 1995, when the Defense Nuclear Agency contracted to build the heptyl disposition facility and RASA officials stated that Russia stopped producing new heptyl, Russia could have used more than 25,000 metric tons of heptyl.

Heptyl-Fueled Launches. Heptyl-fueled space launches decreased significantly after 1991. Heptyl-fueled launch vehicles include the Dnepr (a converted SS-18 ballistic missile), Kosmos-3, Proton, Rokot (a converted SS-19 ballistic missile), and Tsyklons. In 1990 and 1991, Russia had 34 launches and 31 launches, respectively. Between 1992 and 2001, however, Russia averaged 16.3 launches a year, a 47-percent decrease from 1991. In 1992 and 1993, the number of launches decreased each year to 20 launches. After heptyl-fueled launches increased to 27 in 1994, from 1995 through 1999 the number of launches decreased to 15 or less. In 2000, heptyl-fueled launches increased to 20, but decreased in 2001 to 10. For 2002, Russia had six heptyl-fueled launches through June. (See Figure E-1)

Proton Launch Vehicles. Heptyl use did not decrease as significantly as the number of launches because the number of launches using the Proton launch vehicle did not decrease as much as launches using other launch vehicles. When compared to Russia's other heptyl-fueled launch vehicles, the Proton uses considerably more fuel. Depending on the configuration, fuel use for each Proton launch ranges from between 172 and 178 metric tons of heptyl. In comparison, fuel use for other heptyl-fueled launch vehicles ranges from 25.2 metric tons to 53 metric tons of heptyl. In 1990 and 1991, Russia had 11 and 9 Proton launches, respectively. Between 1992 and 2001, however, Russia averaged 8.7 Proton launches per year, a 3-percent decrease from 1991. In 1992 and 1993, the number decreased to eight launches and six launches, respectively. After increasing in 1994 to 13, Proton launches decreased to 9 or less from 1995 through 1999. In 2000, Proton launches increased to 14, but decreased to 6 in 2001. For 2002, Russia has had three Proton launches through June. (See Figure E-1)

¹ We were not able to locate official launch and fuel use data published by the Russian Federation. Instead, the number of launches was provided on the Internet at Gunter's Space Page, <http://www.skyrocket.de/space/space.html>. As National Aeronautical and Space Administration officials suggested, we compared launches for 1990 through 1997 on Gunter's Space Page against data an astrophysicist for Harvard-Smithsonian Center for Astrophysics provided. For 1998 through June 2002 launches, we compared the data used against data maintained by the National Aeronautical and Space Administration. The launch data agreed, except Gunter's Space Page included two sub-orbital launches that the astrophysicist and officials from the National Aeronautical and Space Administration stated they excluded. The Office of Under Secretary of Defense for Policy provided data for fuel use on each launch vehicle.

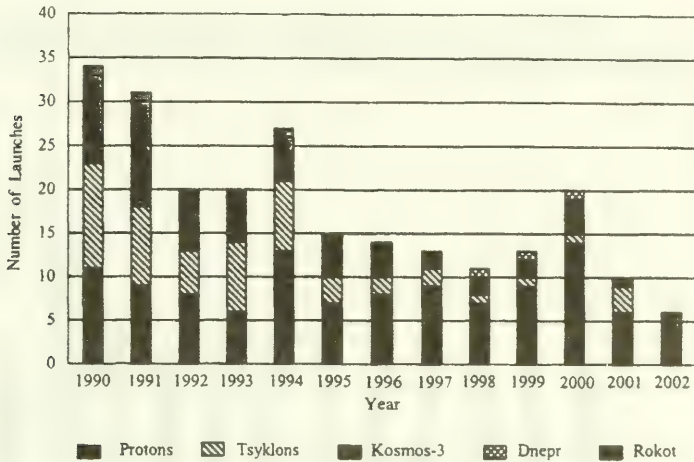


Figure E-1. Heptyl-Fueled Launches From 1990 Through June 2002

Heptyl Use. Although the number of heptyl-fueled launches decreased after 1990, heptyl use did not decrease as significantly as the launches decreased. In 1990 and 1991, Russia used about 2,800 metric tons of heptyl and about 2,350 metric tons of heptyl during space launches, respectively. Between 1992 and 2001, however, Russia used an annual average of more than 1,800 metric tons, a 23-percent decrease from 1991. In 1992 and 1993, the use of heptyl decreased to more than 1,800 metric tons and almost 1,600 metric tons of heptyl. After its use increased to more than 2,800 metric tons in 1994, heptyl use decreased from 1995 through 1999 to between about 1,400 metric tons and almost 1,800 metric tons. In 2000, heptyl use increased to about 2,700 metric tons, but decreased to more than 1,200 metric tons in 2001. For 2002, Russia has used more than 600 metric tons of heptyl through June. (See Figure E-2)

Heptyl Use Since 1995. Since 1995, when the Defense Nuclear Agency contracted to build the heptyl disposition facility and RASA officials stated RASA stopped producing new heptyl, Russia could have used more than 25,000 metric tons of heptyl. From 1995 through June 2002, Russia had 102 heptyl-fueled launches using more than 12,500 metric tons of heptyl. The amount of heptyl Russia used could be significantly higher because, according to

RASA officials, Russia test fires each rocket using 100 percent of the fuel capacity. Therefore, Russia could have used in its space program more than 25,000 metric tons of heptyl since 1995.² (See Figure E-2)

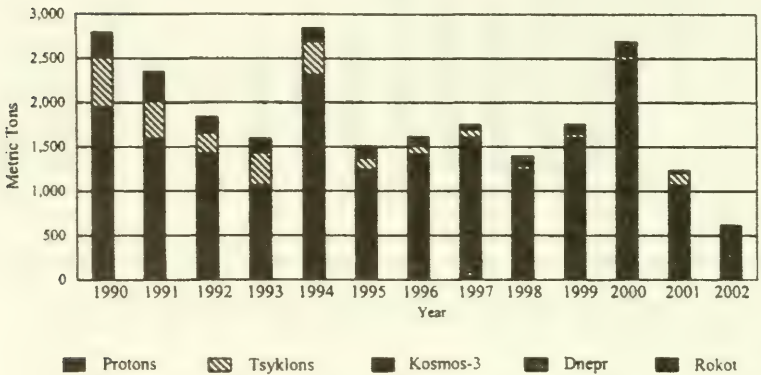


Figure E-2. Heptyl Use From 1990 Through June 2002

² According to an official at the National Aeronautics and Space Administration, each rocket engine undergoes acceptance testing using procedures agreed to between the manufacturer and user. That testing may or may not include a flight-duration test to evaluate flight worthiness. In addition, he stated that the engines would also undergo development, qualification, and certification testing, all of which would consume fuel.

Appendix F. Report Distribution

Office of the Secretary of Defense

Deputy Secretary of Defense
 Under Secretary of Defense (Comptroller)/Chief Financial Officer
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
 Under Secretary of Defense for Policy
 Assistant Secretary of Defense (International Security Policy)
 Deputy Under Secretary of Defense (Technology Security Policy and Counter-
 Proliferation)
 General Counsel of the Department of Defense

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)

Unified Command

Commander in Chief, U.S. European Command

Other Defense Organizations

Director, Defense Threat Reduction Agency

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Subcommittee on Emerging Threats and Capabilities, Committee on Armed Services

Senate Committee on Foreign Relations

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

House Committee on International Relations

House Subcommittee on International Economic Policy and Trade, Committee on International Relations

Office of the Under Secretary of Defense for Policy



OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000

SEP 18 2002

MEMORANDUM FOR DIRECTOR, READINESS AND LOGISTICS SUPPORT
DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Report on the Cooperative Threat Reduction (CTR) Liquid Propellant
Disposition Project (Project No. D-2002LG-0119)

Thank you for the opportunity to review and comment on the draft report regarding the CTR liquid propellant disposition project in Russia. We concur with the report's recommendations for OSD Policy and already have begun taking actions in line with them. Attached are our specific comments on the draft report for your consideration.

We appreciate the work your staff has put into this effort. We look forward to working with the Office of the Inspector General on the next phase of the project.

A handwritten signature in cursive script, appearing to read "Lisa Bronson, for".

Lisa Bronson
Deputy Under Secretary of Defense,
Technology Security Policy and
Counterproliferation

Attachments:
As stated



Final Report
ReferenceComments on Draft Report on the
Cooperative Threat Reduction Liquid Propellant Disposition Project
(Project No. D-2002LG-0119)

- Page i, Executive Summary, Results:

OSD staff Comment: Change:

Modified

First paragraph, sixth line: "... will not be ~~used~~ required for their intended purpose."

Modified

Second paragraph, third line "... provide adequate ~~access~~ transparency rights to DoD..."

Modified

- Top page 2, "as of July 25, 2002, DoD had not yet negotiated an implementing agreement with RASA [Russian Aviation and Space Agency]."

OSD staff Comment: We interpret this to refer to formal designation of RASA as the Russian Federation (RF) executive agent. On August 30, 2002, DoD and RASA officials signed an amendment to the Strategic Offensive Arms Elimination (SOAE) Agreement formally identifying RASA as the Russian Federation executive agent.

Modified

- Top of page 4, Facilities That Dispose of Rocket Propellant and Oxidizer.

OSD staff Comment: Change fourteenth line to read as follows:

... will not be ~~used~~ required for their intended purpose.

Modified

- Bottom of page 5, State of the Liquid Propellant Disposition Project.

OSD staff Comment: Recommend the text in the third and fourth lines be changed as follows:

RASA officials failed to inform DoD that Russia used the heptyl and amyl for its space program until confronted by DoD officials in February 2002.

- Bottom page 8, Access Rights. First line: "Neither the umbrella agreement nor the SOAE-Russia implementing agreement provides adequate access rights to DoD."

OSD staff Comment:

1. In the DoD response to RASA letter 291/460 dated July 9, 2002, we proposed to General Baluyevsky, Acting Chief, General Staff, Russian Armed Forces and Dr. Koptev, Director, RASA that the U.S. draft access arrangements and guidelines.

2. Subsequently, we have drafted an Implementing Arrangement for review within DoD and coordination in the interagency. When approved, we will discuss the Arrangement with RASA and sign when both executive agents reach an agreement.
- Middle page 9, Access Rights. Second paragraph, fourth line: "As of July 2002, the Office of the Under Secretary of Defense for Policy had not arranged to discuss DoD rights for conducting audits and examinations with Russia."

Modified

OSD staff Comment:

1. In anticipation of formal designation as executive agent, on July 19, 2002 (RASA letter 294/477) RASA officials approved a visit by a DoD audit and examination team.
2. DoD has drafted a Supplement to the Administrative Arrangements for the Conduct of Audits and Examinations of Assistance Provided Under the Strategic Offensive Arms Elimination Agreement to supplement the Administrative Arrangements for the Conduct of Audits and Examinations of Assistance, dated 25 October 1995. We are reviewing the Supplement within DoD, will coordinate within the interagency, and will then schedule to negotiate and sign the Supplement with RASA.
- Top page 10, Risks:

OSD staff Comment: OSD staff estimates 15,000 metric tons of heptyl remain in intercontinental ballistic missiles and submarine launched ballistic missiles that have been identified for dismantlement in the future. During spring 2002, the Ministry of Defense indicated that the heptyl would not be available for conversion but would be used in the Russian commercial space launch program. The OSD staff feels that if the heptyl is transferred or sold for the commercial space launch program, the proceeds must be monitored, applied to other CTR projects, and become the subject of future audits and examinations.

- Top page 12, "Management Actions Taken."

Modified

OSD staff Comment: In addition to the Management Actions Taken discussed in the report, we have also implemented the following management actions:

1. First Executive Review conducted in Moscow, July 2002. Russian executive agents were well prepared, Russian experts were available during each session, and all US questions were answered. The DoD team reviewed all projects of assistance that rely on good faith obligations. Executive agents stated they are prepared to:

- a. Hold semi-annual reviews;
 - b. Sign amendments to appropriate implementing agreements to replace the current good faith obligations with written, binding legal commitments to use the U.S. assistance for its intended purpose; and
 - c. Complete and sign documents that describe assumptions, requirements, and responsibilities for each project.
2. SOAE amendment was signed on August 30, 2002. This document formally recognizes RASA as the Russian executive agent, authorizes audits of proceeds from CTR assistance, and extends the agreement until June 17, 2006.
 3. Drafted SOAE Joint Requirements and Implementing Plan (JRIP). The SOAE JRIP defines DoD and RASA requirements and responsibilities during program execution.
 4. Drafted Supplement to the Administrative Arrangements for the Conduct of Audits and Examinations of Assistance Provided Under the Strategic Offensive Arms Elimination Agreement. It is intended to facilitate effective conduct of audits and examinations of SOAE assistance, including revenue from CTR assistance.
 5. Drafted Implementing Arrangements which will provide adequate access rights to DoD for the purpose of assessing, evaluating, contracting and completing projects requested by the Russian Federation under terms of the SOAE agreement and establishes the terms for access.
 6. RASA approved and DoD commenced an SOAE audit and examination on August 24, 2002.
 7. Drafted Mayak Transparency Protocol. Ongoing negotiations with the Russian Federation focus on establishing transparency measures necessary to provide confidence that material at the Fissile Material Storage Facility is from dismantled nuclear weapons, that it is maintained in a safe and secure environment, and that it will not be used for weapons again. DoD will discuss the revised and simplified transparency protocol and annexes in future meetings with Russian Federation officials.
- DoD IG report, pages i, 3, 10, and 12 identifies DoD maintenance and security obligations \$197K/month (\$1.2M obligated so far).

OSD staff Comment: These expenses are necessary until DoD determines the disposition of the facility.

- DoD IG report page 13, top of page.

OSD staff Comment: DoD reiterates its comment on page 10 of the DoD IG report. DoD estimates 15,000 metric tons of heptyl remains in intercontinental ballistic

missiles and submarine launched ballistic missiles that have been identified for dismantlement but not yet dismantled. During Spring 2002, the Ministry of Defense indicated that the heptyl would not be available for conversion but would be used in the Russian commercial space launch program. It is the DoD view that if the heptyl is transferred or sold for the commercial space launch program, the proceeds must be monitored, applied to other CTR projects, and become the subject of future audits and examinations.

- DoD IG report page 13, A.1, a(2), "Recommendations."

Page 14

OSD staff Comment: As stated above, the SOAE amendment was signed on August 30, 2002. This document formally recognizes RASA as the Russian executive agent, authorizes audits of proceeds from CTR assistance, and extends the agreement until June 17, 2006. DoD has also drafted an Implementing Arrangement to provide continuous access to U.S. representatives when contracted services are ongoing. When signed, this agreement will recognize that ongoing access to Russian sites is necessary for the purpose of assessing, evaluating, contracting and completing projects requested by the Russian Federation under terms of the SOAE agreement and establishes the terms for access.

- DoD IG report page 13, A.1.a(3), "Recommendations."

Page 15

OSD staff Comment: Legally, we can include remedies in agreements and will investigate the DoD IG recommendation further. From a policy perspective, however, we may find it is not in our best interest to include legal remedies in the agreements.

- DoD IG report page 13, A.1.b, "Recommendations."

Page 15

OSD staff Comment: DTRA provided its recommendations concerning disposition of the heptyl facility on September 4, 2002. The DTRA recommendations are under review.

- DoD IG report page 14, Appendix A. Scope and Methodology. Work Performed.

Page 17
Modified

OSD staff Comment: Change paragraph 2, first line, to read as follows:

... officials from the Office of the Under Secretary of Defense for Policy.

Defense Threat Reduction Agency Comments



Defense Threat Reduction Agency

8725 John J. Kingman Road MSC 6201
 Ft Belvoir, VA 22060-6201

SEP 18 2002

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Draft Audit Report on the Cooperative Threat Reduction (CTR) Program
 Liquid Propellant Disposition Project (Project No. D2002LG-0119)

Thank you for the opportunity to review and comment on the draft audit of the CTR program.

Your recommendations are directed at both the Under Secretary of Defense for Policy (USDP) and the Director, Defense Threat Reduction Agency (DTRA). We defer to USDP for the recommendations covered under A.1. Turning to the recommendations addressed to DTRA:

DoD IG Recommendation A.2.a: We recommend that the Director, DTRA, after the USDP negotiates improved access, perform more complete inspections of equipment provided to Russia that will ensure proper usage. DTRA Response: DTRA concurs. The DoD IG recommendation faults DTRA for not thoroughly inspecting the contents of the intermodal containers during the Audit and Examinations (A&E) conducted prior to June 1999. These containers were provided by CTR to the Russians to transport heptyl from the Intercontinental Ballistic Missiles to Russian controlled and operated heptyl fuel tank farms. At the time, the A&E team lacked the necessary equipment and training to safely inspect the intermodal containers and ascertain whether they actually held heptyl. Heptyl can be lethal if inhaled, and collecting samples requires special hazardous material suits and analysis equipment which must be agreed to by the Russians. At the time, the team did not have the right to inspect shipping documents for intermodal containers. Nor did it have the right to inspect the Russian heptyl fuel tank farms, which were not part of the CTR program. These tank farms were the location of the approximately 30,000 metric tons of heptyl that were eventually used for space launches.

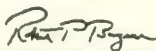
In June 1999, CTR lost the right to conduct A&Es in the Strategic Offensive Arms Elimination program. In November 2001, DTRA recertified the intermodal containers for operational use. The recertification process allowed DTRA to learn what was in the intermodal containers, but did not grant us access to the Russian shipment documents, nor to the tank farms. DTRA intends to conduct an A&E this Fall of the intermodal containers, pending OSDP approval of the A&E and US/Russian agreement on the A&E rights. DTRA is preparing its A&E team to both safely inspect the intermodal containers to learn their contents, and to translate any shipping documents it is granted access to.

DoD IG Recommendation A.2.b: We recommend that the Director, DTRA, identify potential alternative uses of the involved material as a risk to achieving program objectives when the United States anticipates making a significant investment in facilities to destroy or convert those materials. DTRA Response: DTRA concurs. DTRA currently assesses the potential risk to a project after the requirement has been identified and a plan for implementation is being developed. DTRA assesses the project plan's overall risk of succeeding according to cost, schedule, contractor performance, and the reliability of our foreign partner in assisting in implementation. DTRA develops strategies to mitigate this risk. DTRA also assesses the possible misuse of assistance after it is provided to the foreign partner. This assessment looks at the value of the equipment; the frequency of project manager visits to the site; the frequency of American contractor visits to the site; the time since the last A&E at the site; how far advanced the project is; the relative accuracy of equipment records; the possibility of the equipment serving some alternative military application; any prior misuse of the equipment; any site access restrictions; and the remoteness of the location. Based on this annual evaluation, DTRA develops strategies to reduce the risk of misuse.

However, all of these steps occur after the United States anticipates making a significant investment in facilities to destroy or convert those materials. Currently, DTRA informally provides OSDP possible alternative uses of the item (e.g., that heptyl can be incinerated, chemically converted, or used as rocket propellant as it was designed). Henceforth, DTRA will formally provide OSDP with technical alternatives as the United States anticipates making a significant investment in facilities to destroy or convert those materials. However, DTRA's charter does not permit it to perform Intelligence Community functions. DTRA cannot substitute for the Intelligence Community's role in assessing the foreign country's possible intentions. DTRA can only point out that heptyl could be used for commercial space launches, not that Russia intends to use, or is using, heptyl from ballistic missiles for space launches.

DoD IG Recommendation A.2.c: We recommend that the Director, DTRA, report annually, and as needed, to the USDP risks to achieving program objectives. DTRA Response: DTRA concurs. However, DTRA will send this report up its command chain for signature by the Under Secretary of Defense for Acquisition, Technology and Logistics for transmittal to the USDP.

Thank you again for the opportunity to comment on this draft report.



Robert P. Bongiovi
Major General, USAF
Deputy Director

Attachment:
As stated

Team Members

The Readiness and Logistics Support Directorate, Office of the Assistant Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

Shelton R. Young
Evelyn R. Klemstine
Donney J. Bibb
Michael T. Brant
Lynne M. Champion
Mason A. Kaur
Sharon L. Carvalho

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 4, 2003

QUESTIONS SUBMITTED BY MR. HUNTER

The CHAIRMAN. The Cooperative Threat Reduction program's solid rocket motor disposition facility project has been indefinitely postponed because of an inability to secure necessary land-use permits. In March 2003, Russia's Ministry of Natural Resources ordered a halt to operations at its only chemical weapons destruction facility because the plant lacks necessary licenses. The Department of Defense is currently building a chemical demilitarization plant in Shchuch'ye, Russia that is expected to cost over \$1 billion. Have the necessary land-use permits been secured for all planned chemical demilitarization activities at the facility in Shchuch'ye?

Secretary CROUCH. Several types of permits—land use, construction, and operating—are required to implement fully all chemical demilitarization activities at the chemical weapons destruction facility (CWDF) at Shchuch'ye:

Land-use Permits. DOD has secured the necessary land-use permits for all ongoing construction activities at the Shchuch'ye CWDF. On 27 March 2000, the local Russian government (Kurgan Region Administration Decree No. 153) granted land allocation for the CWDF.

Construction Permits. Construction of the CWDF is divided into approximately 55 "packages" for technical and oversight purposes. A construction permit is required for each construction package. Russian companies under subcontract to the U.S. integrating contractor are responsible for obtaining these permits. To date, the Russian subcontractors have acquired all necessary permits for seven pre-construction packages. The CWDF design calls for an additional 48 construction packages. As these construction packages are completed, DOD and its contractors and subcontractors will apply for follow-on construction permits.

Operating Permit. During the construction phase, but prior to the commencement of chemical agent demilitarization at the CWDF, the Russian Munitions Agency (RMA) will apply for the operating permit. Permit issuance is dependent on (1) completion of integration of the operating equipment in the CWDF and (2) completion of training for CWDF operations personnel.

The CHAIRMAN. If not, what are the Department of Defense and the Russian government doing to secure the necessary permits?

Secretary CROUCH. DOD is working with RMA to secure all necessary future construction and operating permits. As part of the process for completing the construction phase of the CWDF project, the Kurgan Region's Natural Resources Committee has required that the CWDF ground water treatment system be operational by 1 November 2006. This system is on schedule. DOD and its contractors and subcontractors will apply for the CWDF operating permit as early as possible consistent with the construction timeline.

The CHAIRMAN. Will the Department of Defense continue construction of the chemical demilitarization plant at Shchuch'ye beyond fiscal year 2003 in the absence of the necessary permits?

Secretary CROUCH. DOD will continue construction of the Shchuch'ye CWDF during fiscal year 2003 and beyond within the scope of construction and installation permits already issued, and to the extent future funding is appropriated and authorized.

The CHAIRMAN. Concerns have been raised that some CTR-funded "dual-use" equipment has been used improperly by the Russian military. In particular, there are reports that cranes used to unload fuel from nuclear submarines may also be used to reload other submarines. Additional reports indicate that Russia has misused railcars intended to bring missiles away from silo sites. What promises or agreements has Russia made that would proscribe its misuse of CTR-funded equipment and what, if any, measures has DOD taken to prevent such abuse?

Secretary CROUCH. The CTR Umbrella Agreement requires the Russian Federation (RF) to use all assistance for its intended purpose. Additionally, the Umbrella Agreement grants the USG, at its discretion and with 30 days notice to the executive agent, the right to audit and examine the use of any CTR assistance. This right is exercised several times each year for various CTR projects in Russia. This approach has been effective in ensuring the proper use of CTR-provided equipment

and in identifying and resolving infractions. Additionally, we use national technical means to confirm that CTR assistance is properly used. DOD has seen no evidence that the cranes and railcars in question have been misused. That said, DOD has identified a few instances of improper use of other CTR-funded equipment that were resolved promptly with RF executive agents. These instances are documented in the CTR Annual Report to Congress for the fiscal year in which they were detected and resolved.

The CHAIRMAN. What assurances can you give us that Russia is not misusing CTR-provided equipment in this way?

Secretary CROUCH. While DOD audits and examinations have identified a few localized situations where CTR-provided equipment has been improperly used, as soon as the situation was brought to the attention of the Russian CTR executive agent, it was resolved. DOD has noted these instances in the CTR annual reports provided to Congress. Additionally, when DOD suspects possible misuse of CTR assistance, it requests the Intelligence Community to assess whether or not misuse is occurring.

The CHAIRMAN. What, if any, measures has DOD taken to prevent such abuses?

Secretary CROUCH. Subsequent to learning of the diversion of heptyl rocket fuel which had been destined for a CTR disposition facility from deactivated ICBMs to space launchers, DOD reviewed all CTR projects and identified areas of reliance on good faith obligations. Where appropriate, DOD drafted amendments to CTR implementing agreements that replace good faith obligations with legal commitments and provided them to RF executive agents for signature. These commitments are preemptive in nature and intended to improve transparency and avoid another "heptyl situation."

For example, DOD drafted and is negotiating with the Russian Aviation and Space Agency (RASA) an amendment to the Strategic Offensive Arms Elimination (SOAE) Implementing Agreement that commits RASA to ensure that spent nuclear fuel offloading facilities built with DOD assistance at the Zvezdochka and Zvezda shipyards shall not be used to load fresh fuel into nuclear reactors on any nuclear reactor-powered submarines. RASA is expected to sign this commitment amendment in the near future.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—COMBATANT COMMANDERS OF U.S. SPECIAL OPERATIONS COMMAND, U.S. SOUTHERN COMMAND AND U.S. JOINT FORCES COMMAND

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, March 12, 2003.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order.

Today the committee begins its review of the state of our combatant commands. Our nine unified combatant commands is where the rubber meets the road, as they are charged with the responsibility for military operations in every region of the world and across the entire spectrum of conflict.

This morning we will receive testimony on the posture of three of these commands, Special Operations Command (SOCOM), Southern Command (SOUTHCOM) and Joint Forces Command (JFCOM). This afternoon, we will continue with Pacific Command and U.S. Forces Korea. And tomorrow we will focus on Northern Command and Strategic Command.

It is a pleasure to welcome our witnesses this morning. We have with us General Charles R. Holland, U.S. Air Force, Commander, U.S. Special Operations Command; General James T. Hill, U.S. Army, Commander for U.S. Southern Command; and Admiral E.P. Giambastiani, United States Navy, Commander for U.S. Joint Forces Command.

So gentlemen, we look forward to your testimony.

The combatant commanders who appear before us today face a wide range of changes and challenges. Last April, major changes were made in the Unified Command Plan, altering the missions and geographic responsibilities of many of our combatant commands. At the same time, the volatile political-military situation in the world provides urgent challenges in the areas of responsibility under the purview of each of the combatant commanders before us today.

As we heard during the testimony of the Secretary of Defense last month, this year's defense authorization request provides U.S. Special Operations Command expanded authority and an expanded budget to fight the Global War on Terrorism. And those very im-

portant words were in the Secretary's directive, that you were to support and be supported by the Commanders in Chief (CINC) in whose area you are operating, a very important change.

General Holland, your forces have been on the forefront of the war on terrorism and will be again should there be a conflict with Iraq. So we look forward to hearing from you on your plans to use these increased resources to further SOCOM's mission.

In Southern Command, Colombia continues to be a major source of concern. The recent crash of an aircraft carrying Department of Defense (DOD) contractors that resulted in the death of one American, one Colombian, and the capture of three other Americans by Revolutionary Armed Forces of Colombia (FARC) rebels remains of the utmost concern.

I look forward to hearing from General Hill on our efforts to rescue those individuals, as well as our ongoing efforts in support of Plan Colombia.

General Hill, thank you for being with us.

And finally, the changes to the Unified Command Plan last year continue the process of refining the mission of Joint Forces Command. With the transfer of its geographical responsibilities to other unified commands, JFCOM is now focused solely on transformation, joint experimentation and joint doctrine.

So, Admiral Giambastiani, we look forward to your views on how these changes have affected your ability to accomplish your missions.

So let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he wants to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 721.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much. And let me join you, Mr. Chairman, in welcoming General Holland, General Hill, Admiral Giambastiani. And thank each of you for joining us.

This year there were major changes made to the Unified Command Plan. Now, these changes realign missions and geographical responsibilities. These changes are entirely appropriate, in my opinion, given new challenges the nation faces. And I hope each of you will give us a sense of how these changes affect your command and what remains to be done.

I raise this question, Mr. Chairman, as to a point in history, and maybe each of you could make reference to the Damocles sword that hangs over our country. In my opinion, this is the most potentially dangerous time that America is experiencing since the dark days of 1942. I appreciate any comments you might have on that.

Now, General Holland, Special Operations Forces (SOF) have played a critical role in the Global War on Terrorism in almost every country we read about. Special Operations Forces are taking on a variety of missions and continue to be in great demand. I worry that your forces are being spread too thin.

I support the increase in money and personnel reflected in the budget request for the Special Operations Command, but I am con-

cerned, General, that your end-strength increase is coming from the overly strained United States Army. Both sets of missions are critical to our national interest.

The most responsible solution, in my opinion, is to increase the overall end-strength, not to cannibalize the existing force.

General Hill, as you know, I remain concerned about American military involvement in Colombia. Last year Congress expanded the military's role from counter-drug to counterterrorism support.

Now, since that time, as the chairman has pointed out, one United States government employee has been killed and three others kidnapped. And I would appreciate your views as to whether we are sinking deeper into that conflict. I would also like to understand how we will define success in Colombia and how we will keep limits on the level of American involvement.

Admiral Giambastiani, last year's changes to the Unified Command Plan had a great impact on the mission that you command, the Joint Forces Command. I hope you will explain to our committee the benefits of these changes in terms of our ability to fight as a joint force. I will underline "as a joint force."

It is important that we understand your plans for joint experimentation. History has taught that joint warfighting is a powerful concept, and the pending war in Iraq will almost certainly be conducted in more joint fashion than the last Persian Gulf war. Joint experimentation holds the key to building on lessons we learn from joint warfare today. And I am confident your efforts in this area will provide future benefits to our military.

So to each of you gentlemen, we thank you for your attendance, your participation, and for the wonderful work that we have seen you do through the years for our country.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 725.]

The CHAIRMAN. I thank the gentleman from Missouri.

And I think it would be appropriate at this time to ask the gentleman from New York, Mr. McHugh, to comment, before we get into statements, on the tragedy that recently occurred in his district.

Mr. McHugh.

Mr. McHUGH. Mr. Chairman, thank you very much.

And I appreciate the indulgence of the chair, the ranking member and the committee, as well our distinguished panelists here this morning.

As I am sure many, if not most, of you have heard, yesterday, at Fort Drum, New York, home of the 10th Mountain Division, during a troop insertion training exercise a Black Hawk helicopter went down, which, at this point, has resulted in the loss of the lives of 11 brave men and women of that great division.

And I suppose it is particularly appropriate, as has already been described here this morning, we find ourselves as a nation forward deployed in so many places, complicated and compounded by the potential of an even bigger battle situation in Iraq, that we always remember that while the forward deployed have our hearts and our thoughts with them, that even during training and during their day-to-day activities, back here at home our brave men and women

in uniform of all the branches of the services place their lives on the line.

I would simply ask today, Mr. Chairman, as we go about this very important business discussing these critical issues with our distinguished panelists, that all of us remember that primary challenge that we on this great committee have to do everything in our power to provide for those troops wherever they may be. And to also please keep in your thoughts and your prayers the families, the loved ones and the neighbors of the Fort Drum North Country community who today mourn the passing of 3 of 11 very valiant soldiers and warriors.

With that, I would yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And I think that is an appropriate preface to this testimony of this panel, which has such an important and critical role in seeing to it that our forces are able to prevail and survive in this, what is becoming an increasingly difficult environment.

So, General Holland, thank you for being with us and thanks for your service to our country. The floor is yours.

**STATEMENT OF GEN. CHARLES R. HOLLAND, USAF,
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND**

General HOLLAND. Thank you, Mr. Chairman, Congressman Skelton, distinguished members of Congress. It is an honor and privilege to be here today to report to you on the state of the United States Special Operations Command.

The CHAIRMAN. And, General Holland, also, before you begin, without objection, all the prepared statements will be incorporated into the record. So you can summarize or give the entire statement, but it will be, at any rate, taken into the record.

General HOLLAND. Yes, sir. And with your permission, I will do exactly that. I will submit the longer written statement for the record.

Your United States military is on the offensive against terrorism around the globe, and Special Operations forces are at the tip of the spear.

Last year, over 7,000 special operators were deployed to over 150 countries, providing regional commanders with a force unsurpassed in both agility and lethality.

The recent success of our men and women during Operation Enduring Freedom have given the world a much clearer insight into the skills and dedication of America's Special Operations Forces. Through your support, we continue to get even better.

The Special Operations Command will now transform from being primarily a force provider to the geographic commands to adding the additional mission of planning and executing combat operations against terrorist organizations.

I want to stress, Mr. Chairman, that this new role as a supported command is not meant to replace or otherwise marginalize the Special Operations organizations assigned to the regional commanders. Rather it is designed to dramatically increase the efficiencies of our operations by ensuring that we cover the seams of the existing geographical boundaries in a global war against terrorism where the enemy knows no such limits.

With this added responsibility comes additional resource requirements. And, Mr. Chairman, I am happy to report that the Department of Defense has worked very hard to ensure Special Operations Forces have what they need to get the job done. The President's budget will increase the command's annual funding by approximately \$1.5 billion to \$6.7 billion in fiscal year 2004.

The additional funding will allow us to increase procurement and research, development, test and evaluation (RDT&E) in programs vital to the success of our force. These include the CV-22, the MH-47Gs, AC-130U gunships and the advanced delivery system and numerous other programs.

Additionally, we will be able to meet critical force structure requirements that will support the increased effort to defeat terrorism across the globe. The Department's recognition and support of our manpower requirements will result in an end-strength increase of almost 4,000 personnel over the next five years.

The command is also working with the Department of Defense to find funding for a much needed state-of-the-art war-fighting center to be located at our headquarters in Tampa, a facility that will afford us the highest levels of efficiency and integration when planning the war against terrorism.

Finally, Mr. Chairman, I would like to mention the special operators who have made the ultimate sacrifice since September 11, 2001. These men and women, the many just like them who have been wounded, and all of the special operators who put their lives on the line around the world, are some of America's truest heroes.

Yesterday, I talked to Sergeant 1st Class Mike McLaney, a Special Forces soldier who lost part of his right arm in Afghanistan in December 2001. I had visited him in the hospital in Germany that same month, and had been inspired by him and his wife Judy's fervent desire for him to stay in the Army.

Well, after recovering from his wounds, in June he reenlisted for an indefinite period of time, which will take him to at least a 20-year retirement. He is serving with the 5th Special Forces Group at Fort Campbell, Kentucky. And he will take the Army physical readiness test later this year. He already can do more than 50 push-ups using a special attachment on his arm to level himself.

Sergeant 1st Class McLaney and his wife remain adamant in their desire for him to continue with his military service.

Mr. Chairman, with people like these I know we will succeed.

I would like to close by acknowledging the great support that you and the other committee members have given our soldiers, sailors, airmen, Marines and civilians, and thank you for the opportunity to be here today. I look forward to addressing your questions.

[The prepared statement of General Holland can be found in the Appendix on page 728.]

The CHAIRMAN. General Holland, thank you.

General Hill.

STATEMENT OF GEN. JAMES T. HILL, USA, COMMANDER, U.S. SOUTHERN COMMAND

General HILL. Mr. Chairman, Congressman Skelton, distinguished members of the committee, thank you for this opportunity

to appear before you today to provide my assessment of United States Southern Command and my assigned area of responsibility.

I appreciate greatly the support of this committee, and that you have provided to the United States Southern Command soldiers, sailors, airmen, Marines, Coast Guardsmen and civilian personnel, whom I am so privileged to command.

Since taking command seven months ago, I have traveled extensively throughout the region to include nine times to Colombia. These visits have provided me important insights to the region, its leaders and to the challenges and equally important opportunities that lie before us in Latin America and the Caribbean.

The expectations derived from democratic and free-market reform seemingly so available at the close of the last century are not being realized at the dawn of this one. This, along with economic stagnation and endemic corruption, are significantly challenging many of the hemisphere's fledgling democracies.

Latin America and the Caribbean is an increasingly important region to the United States. We have strong and growing economic, strategic, security and cultural ties to the region. We conduct more than \$360 billion worth of trade with Latin America and the Caribbean; 49 cents out of every dollar spent in the region is on imported goods and services from the United States. The region provides more oil to the United States than all the Persian Gulf countries combined.

Currently, Latin Americans are the largest and fastest-growing minority in the United States, and by 2050 one out of every four U.S. residents will be of Latin American descent.

On the negative side, nearly all of the cocaine and much of the heroin consumed in this country comes from the region, significantly contributing to the deaths of 19,000 people in the United States.

The threats to security and stability in the region do not come from warring or antagonistic countries or neighbors. Overall, the countries in Latin America and the Caribbean generally have friendly relations. In fact, it is the least militarized region of the world.

The threats instead come from the destabilizing and corrupting influences of international terrorism, narco-terrorism, illegal drugs, arms trafficking and rampant crime.

Although nowhere are these transnational threats more graphically and brutally active than in Colombia, they have pervasively and corrosively spread throughout all reaches of Latin America and the Caribbean.

We therefore cannot focus our efforts exclusively on Colombia, and we in Southern Command are not.

As I mentioned in my statement, I am proud to say that the men and women of the United States Southern Command do a great deal to further our nation's interest in this hemisphere with very few resources and a modest presence.

We are, however, at a critical point where the progress in eliminating conflict, reducing tension and establishing democracy throughout the region could be at risk if we are not steadfast in our efforts. The continued progress as a region of democracy and prosperity is of paramount importance to our national security.

I thank you again for the opportunity to appear before you and I look forward to your questions, sir.

[The prepared statement of General Hill can be found in the Appendix on page 751.]

The CHAIRMAN. General, thank you.
Admiral Giambastiani.

**STATEMENT OF ADM. E.P. GIAMBASTIANI, USN, COMMANDER,
U.S. JOINT FORCES COMMAND**

Admiral GIAMBASTIANI. Mr. Chairman, before I begin a short summary of my written testimony, I would like to extend also my deepest sympathies to the families and loved ones of the brave soldiers from Fort Drum who were injured or paid the ultimate sacrifice last night. This tragic accident serves as a reminder of both the challenge and commitment that all of our service members willingly face every day to keep our nation free. We are all proud of their service and pray for their families and loved ones.

Mr. Chairman, distinguished members of the committee, I am honored to testify for my first time today as Commander of the United States Joint Forces Command. Joining me today and seated just behind me is the senior enlisted member of the United States Joint Forces Command and my trusted adviser, Command Sergeant Major Mark Ripka, United States Army.

My message to the committee today is that Joint Forces Command, following the leadership of President Bush, Secretary Rumsfeld and General Myers, is focused every day on executing the top three priorities of the Department of Defense: Successfully pursuing the Global War on Terrorism, strengthening our joint warfighting capabilities and transforming the joint force.

Joint Forces Command has key roles to play in each of these tasks. It is leaning forward in all of them so that our homeland can be defended, our allies assured, our potential adversaries are dissuaded and deterred, and those who would challenge our peace and freedom swiftly and decisively defeated.

Exercising combatant command over nearly 1.1 million soldiers, sailors, airmen and Marines based in the continental United States, Joint Forces Command is responsible, with our service components, for providing trained and ready forces needed by all of our regional combatant commanders.

In this era of violent horizons, the call for these forces has been increasing, and Joint Forces Command is working to provide them when and where required.

As examples, forces assigned to Joint Forces Command comprise almost three-quarters of the forces engaged in operations in Afghanistan, over 50 percent of the forces building in the Persian Gulf region, and 90 percent of the nation's forces deployed worldwide in support of the war on terrorism.

Yet it is not enough merely to manage the deployment of our joint force, as large and as complex a task as that proves to be. Those forces need training and they need capabilities to do their job swiftly and effectively. That ties our contribution to the Global War on Terrorism directly to our drive to strengthen joint warfighting capabilities.

Joint Forces Command is helping to strengthen joint warfighting capabilities now. In our role as the joint trainer, we deploy on average 100 observer trainers and senior mentors—these are retired three-and four-star officers—who assist us every day in support of all of the other regional and combatant commanders' training requirements.

We have been able to flex significantly in the last six months to support critical mission rehearsals for commanders such as General Tommy Franks, Commander of the Central Command.

These exercises and rehearsals have been critical to their mission readiness and have proved invaluable to General Franks, for example, as a warfighting commander.

In the same period, we have helped stand up and train four separate joint task forces for employment in Afghanistan, Guantanamo Bay, Cuba, off the Horn of Africa, and most recently, in Southwest Asia.

No other organization can match Joint Forces Command's expertise in joint task force training and command and control. That expertise is fully employed in support of current operations.

This training constitutes one of the United States' most potent asymmetric advantages: Highly trained forces with superb command-and-control organizations, equipment and procedures.

As a final note on strengthening joint warfighting capabilities, we have been aggressive in rapidly exploiting results of our joint experimentation campaign for use by forces in the field.

As just one example, Combined Joint Task Force (JTF)-180 in Afghanistan used the training and equipment and procedures provided to them in preparation for Millennium Challenge 2002, our major exercise and experimentation event last year, to conduct their highly successful campaign in Afghanistan.

We continue to look for opportunities to convert experimental results into quick win capabilities for the joint force.

This robust experimentation and the capabilities it produces is a result of our ongoing and accelerating drive to transform the joint force.

Having shed the operational burdens, Mr. Chairman, as you have mentioned, of a geographic area of responsibility, as directed by President Bush in Unified Command Plan 2002, Joint Forces Command is liberated to focus its efforts on transforming the joint force.

In effect, we have lost a geographic area of responsibility, but have gained a more challenging and exciting area of responsibility: The future.

To confront the transformation challenges posed by the future, an uncertain future populated by asymmetric threats, weapons of mass destruction, transnational actors, regional powers and potential peer competitors, Joint Forces Command has embarked on a wide-ranging and robust campaign of joint experimentation.

Building on the insights gained from events such as Millennium Challenge 2002 and working with a wide array of partners, including the services, defense agencies, other federal agencies and departments, academia, industry and close allies, Joint Forces Command is tackling an array of future issues that will define the way our joint force will transform.

We are proud of the variety, intellectual rigor and concentration capabilities that this campaign exhibits. We are also excited that it is providing a much-needed joint context for the experimentation and concept developments of our Army, Navy and Marine Corps, Air Force partners. It will also form the basis for multinational transformation with both our longstanding NATO allies and other close allies around the world.

In addition, experimentation and concept development, which produces the intellectual capital our joint force will need for the future, Joint Forces Command is taking a larger role and filling a critical void in identifying joint interoperability requirements, especially in the area of joint battle management command and control.

Building on our previous integration and interoperability functions and leveraging our expertise in joint task force training, we look forward to working with the services to provide command-and-control solutions both near and long-term so that our combatant commanders will use them.

Mr. Chairman and members of the committee, since taking command last October, I have worked hard to learn as much as I can about Joint Forces Command. The command has worked even harder to provide critical capabilities to our deploying joint forces.

I have visited every subordinate command of Joint Forces Command. I have traveled with Command Sergeant Major Ripka to visit troops, just as you have around the world, including trips to Bosnia, Afghanistan and throughout the Persian Gulf.

I have been impressed, awed even, by the troops' service, devotion and resolve. I have been uplifted by their morale, confidence and good cheer. And I can report to you that your support, as well as that of Congress and the American people, has borne fruit in the best-trained, best-equipped and best-led joint force that I have ever seen in my professional career.

I consider it a privilege to serve with these young men and women at this critical time in our nation's history.

Mr. Chairman, thank you for your patience and attention. I will be pleased to answer your questions, sir.

[The prepared statement of Admiral Giambastiani can be found in the Appendix on page 778.]

The CHAIRMAN. Okay. Thank you very much, Admiral, and let me just start with you.

General Tommy Franks, U.S. Central Command (CENTCOM) commander, obviously running the operation in theater. It is an operation that involves all of our forces, and you are the joint operations commander. Give us a little description of how you work with General Franks?

Admiral GIAMBASTIANI. Sir, we have a very, very good working relationship. On a day-to-day basis, in addition to being a joint force provider, as I mentioned, in sending a significant number of forces, we generally run and operate for him, as his support mechanism, two major joint force exercises a year in direct support of him. In other words, he is what we call in the military, "the supported commander," and I am the supporting with my staff.

In the case of a major demonstration, if you will, also a rehearsal, an exercise called Internal Look last December, we were able to support him. Frankly, we had upwards of 350 people from

Joint Forces Command directly deployed or supporting him from Suffolk, Virginia at our Joint Warfighting Center. We did this on fairly short notice and it was quite successful. We have supported him in other exercises.

In addition, we have provided him with prototyping equipment such as a joint en-route mission planning system that we put on his aircraft so that he could be in constant communications with his commanders while he was transiting from Florida to the theater forward and when he was coming back to the United States. He had both classified e-mail ability—what we call collaboration techniques where he could do collaborative work, his staff could. He also had unclassified, secure voice, video-teleconferencing. All of that was available from his aircraft. That is not normal for most others.

The CHAIRMAN. So what you are doing is you are enhancing a CINC's capability to lead and command the supportive elements from the different services.

Admiral GIAMBASTIANI. Correct, sir.

In fact, I might add, if you talk to the two gentlemen on my right, on your left, I am a supporting combatant commander for these two gentlemen, also. We work very closely together on a routine basis.

The CHAIRMAN. Now, let me ask you, the best, shortest distance between two points is a straight line, so when the balloon goes up and General Franks is in an operations mode, he needs to be able to have that straight line between himself and his subordinates, whether they are Marines, Army, Navy, Air Force. What is your role at that point?

Admiral GIAMBASTIANI. Our role is to continue to provide him whatever he needs. For example, if he needs additional forces, he will make a request to the Secretary of Defense, through the chairman. The chairman and the Secretary, on the Secretary's approval, for example, will approve this request for forces. And generally, if it is for conventional forces, they normally come out of the Joint Forces Command continental based forces, and we send them forward as we are doing right now.

In addition, he may ask us to help him stand up a joint task force. We have just finished doing that twice in the last three months. The Horn of Africa, as I mentioned; and also, another joint task force that we stood up just recently.

Our job is to provide him whatever he needs, when he needs it, as soon as he needs it, and to try to anticipate that. If anybody is in a fight, we do not hesitate.

The CHAIRMAN. Okay. Obviously, part of your role is to ensure, as the guy who is supposed to enforce and expedite jointness, to make sure we are not reinventing the wheel and duplicating efforts in the services, which has often been a problem.

It is one I remembered as a freshman, when we had the same contractor sit at that witness table and inform us that at the same time he had a weapon systems program going for the Air Force and one for your Navy with one thin wall in between them, precisely the same program, getting paid by both services. And of course, you have got an array of situations that are somewhat less ridiculous

than that, but nonetheless, somewhat duplicative of effort and resources.

Mr. ABERCROMBIE. Mr. Chairman? Would you yield?

The CHAIRMAN. Be happy to yield to the gentleman.

Mr. ABERCROMBIE. Mr. Chairman, I understand where you are going. I do not understand. Who is in charge? Is not that the question you are asking?

The CHAIRMAN. No, it is not. Obviously, Tommy Franks is in charge, but Tommy Franks, the General who is running the operation, the CINC, if we had, for example, a conflict in Iraq, has the various elements, whether they are Marine elements, Army elements, Air Force, Navy, responding directly to him.

The Joint Command, at that point, is kind of an enabler, from what I understand with Admiral Giambastiani's testimony, who tries to make sure that you have the best capability for the CINC to communicate, for example, with his components, with his subordinate commands and make sure that they have all of the equipment that they need for good command and control, intelligence and all these other areas.

The question I was getting at, Mr. Abercrombie, is at one point you have got to make sure you do not get in the way also, and that the Joint Command itself does not become in itself a middleman, if you will, between the guy who is running the show and the people that have to respond to him very quickly.

Admiral GIAMBASTIANI. Mr. Chairman, if I could, just to follow that up. What I would tell you is, is that you have explained it well. In the military, we have one term, Congressman Abercrombie; we turn over operational control of those forces to the receiving combatant commander.

So in every one of these deployments, we physically take all of the units that come out of Joint Forces Command, Special Operations Command or anywhere when we turn them over to a combatant commander, and we turn over operational control and they are fully under that combatant commander's day-to-day operational control.

The CHAIRMAN. Thank you, Admiral. I will have more questions. But we need to get down the line and let our members get into this, because you have got some great information for us this morning.

The gentleman from Missouri?

Mr. SKELTON. Thank you, Mr. Chairman. I have a good number of questions, and I will ask them toward the end of the hearing, if I may.

But, Admiral Giambastiani used the phrase a while ago: Critical time in our nation's history. And each of you more or less are historians because of your past experience and your service. In my opinion this is the most dangerous time our country has experienced since the very difficult days of the 1942. I will ask each of you if you agree or disagree, and give me your reasons why.

General Holland.

General HOLLAND. Yes, sir. No, I agree wholeheartedly. The amount of uncertainty that is in the world today, when you compare it to previous years when we were able to plan against an adversary, has completely changed the landscape. And as we take a

look at our people in Special Operations, we have a phrase that we have coined, and that phrase is that, you know, we train for certainty, but we educate for uncertainty.

And what is important today is that the men and women we bring in the forces today, especially in this uncertain environment that we are operating in, need to be thinking out of the box on how we can do things more innovative than we have in the past.

And at the same time we are up against an adversary who does not use the traditional ways of waging war. And so, we need to understand that, and then continue to take that on to stay a step ahead in this particular fight, especially the fight on the war on terrorism.

Mr. SKELTON. Thank you.

General Hill.

General HILL. Sir, I agree with your analogy with 1942. For all of the reasons that we face in the Middle East and we face on the Korean peninsula, we also face in other areas of the world. And I think that what has changed is the ability for the terrorists to provide funding for themselves; in my case, narco-terrorism and its support of international terrorism through the drug trade.

I think that is a pervasive problem throughout Latin America. It is a growing problem. And it will continue to confront us with issues as we go down the road, making our lives more dangerous.

Mr. SKELTON. Admiral Giambastiani.

Admiral GIAMBASTIANI. Congressman Skelton, I would describe that interim period between 1942 and today as what one of my former chiefs of service, Admiral Frank Kelso, described it as: The good old days. And he did not call it the good old days because he liked them so much, but from a planning perspective they were good old days because they were easy to plan for. We had a known threat. It was much easier to deal with it over a long period of time. We were making marginal adjustments from a year-to-year, day-to-day basis.

Today, as I mentioned in my formal statement, we have a very, very unusual time in that we are dealing with asymmetric threats, weapons that have significantly more capacity to do destruction than we have ever seen before. The scope, depth and the range of these weapons is truly significant.

So there is no question that this is a very dangerous time. And I cannot say more than that. It is one that is most uncertain. Threats come from all directions.

Mr. SKELTON. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from New Jersey, who is the chairman of the Unconventional and Terrorism Subcommittee, Mr. Saxton?

Mr. SAXTON. Thank you very much.

And thank each of you for what you are doing.

Earlier this morning we had a briefing over in a little room next door. And we had a gentleman who is the head of the Defense Threat Reduction Agency (DTRA), Dr. Steve Younger. And Dr. Younger reminded me of something that I have been hearing fairly frequently in the last year or so. And that occurred when I asked him what we could do to help him. What do you need? We often-

times ask that question, because we, in our desire to be helpful, need the answer to that question.

"Well," he said, "you have asked an interesting question, because I believe that we are resourced pretty well. We have the capability of developing customized tools that our forces can use from time to time." He said, "What we really need is more information about where the bad guys are."

And a week or so ago I heard the Secretary of Defense talk about expanding the role of the—the expanded need in intelligence capability and talked about beefing up military defense intelligence.

And a month or so ago I heard Vice President Cheney talk about that need, and I remember seeing a briefing not long ago where—probably a special ops briefer, because I have been spending a lot of time with Special Forces—had a diagram with a couple of triangles on it. And it demonstrated the intelligence capability that we needed during the Cold War, which is the small point, and the robust military force that we needed to meet the threat back during the Cold War.

And had another triangle which was just the opposite. It showed the need for a robust intelligence capability today, but perhaps a smaller force to take care of an equally important, but smaller force in terms of the people who are in the bad guys' camp that we want to go find.

And so, General Holland, from your point of view—and let me ask the other two gentlemen to comment on this as well—explain to us, if you would, the need that Steve Younger was talking about this morning, as he sees it, and tell us how you see that need, as well.

General HOLLAND. Yes, sir. In any type of operation intel becomes the very basic piece that you need to develop a course of action that will be effective. When we are talking about taking down a nation it is completely different than having a surgical strike against one particular, very specific target. Obviously, intel at that point needs to be a lot more refined.

We make a comment in Special Operations is that when you take a look at intel, you know, do not just give me a town, a city, an area; what we need is an address. And whenever you talk about needing very refined and more detailed intel, then it drives that requirement back into the intel organizations.

And today that is exactly where the department is coming from—is how do we bring all of our intel forces together; how do we make them more focused and dedicated to what we need to do to be successful on a target?

General HILL. The use of intelligence and the ability of intelligence to influence an operation I do not think can be overstated. It becomes increasingly even more difficult if you are, in my case, for example, working to share intelligence with a foreign nation; in my case Colombia. And then having their ability to take that intelligence and use that intelligence to affect their operations against the forces that are tearing Colombia apart.

So whatever we can do to improve that—and I work daily on this in Colombia and in other regions of the area that we share intelligence with, that we have intelligence-sharing operations with—and we will continue to refine that as we go along.

Admiral GIAMBASTIANI. It is hard for me to add much to what you have heard from General Holland and General Hill, other than to say that it is, in fact, to emphasize, it underpins all our operations, is to have reasonable and good intelligence. But in general, many of our organizations we are today trying to drive them to network information together so that we better utilize all of these different agencies.

For example, I have one outfit at Joint Forces Command called the Joint Warfare Analysis Center. It helps in targeting. I have two of my individuals detailed down to Special Operations Command for just this reason, to provide intel. I think you will find that this organization, I believe, will help us better bring together all of these different disparate elements within the Defense Department.

The CHAIRMAN. Would the gentleman yield on that question?

I thank the gentleman. I thank him for his hard work in this area.

Do you feel, Admiral, that there is an adequate spread, if you will, of this intelligence and availability across the services and across the warfighting spectrum? You think we have got stovepiping, some of the same problems that we have run into in the homeland security analysis?

Admiral GIAMBASTIANI. Sir, I am heartened to see how much networking is going on between these various organizations that are partnering and asking one agency to work in a certain area and another one to concentrate in this. And this is based on recent visits, for example, to the Army's Intelligence Command.

The CHAIRMAN. Well, but aside from being heartened, do you think they have done the job? I mean, if you have a piece of relevant intelligence that is developed by any one of the receptors, if you will, is that immediately availed to the relevant warfighters? I mean, unless you can say that mission has accomplished, being heartened is not going to help you.

Admiral GIAMBASTIANI. Right. I cannot answer the question because I am not an ultimate user of the information in that I am a joint force provider at my command, and our job is to help provide that to others. I think the best two to ask at this panel are the two to my right.

The CHAIRMAN. Okay. But I would say that if there was one area where you would really make your mark it is the jointness, if you will, of intelligence.

Admiral GIAMBASTIANI. Correct.

The CHAIRMAN. Wouldn't you agree?

Admiral GIAMBASTIANI. Yes. And that is why I think, frankly, this move to bring these disparate elements together in a more coordinated way is good and it is the right thing to do.

The CHAIRMAN. Okay. Thank you.

Mr. SAXTON. Mr. Chairman, if I may just conclude, just to make an observation.

Seems to me that we have several issues with regard to intelligence. One issue is that the intelligence community that existed ten years ago, which was the result of the activities that we needed to take part in during the Cold War, was a capable intelligence community that was geared to meet that threat and find out about that threat.

The second part of the problem is that during the decade of the 1990s, for some reason or another our collective mentality told us that we did not need that robust threat, to gather information on the threat of the Cold War, because it did not exist anymore, but we did not identify the new threat. And so, we felt comfortable in permitting our intelligence capability to relax some.

The third part of the problem is that today we have—we not only relaxed our intelligence capability during the 1990s, but we now recognize that we have a threat that is much different than the old threat—and so this is an issue. No matter how good our fighters are, if they cannot find the target, it is pretty hard to engage in a successful fight. And I think this is an issue which I did not fully—and I am not saying I fully understand it now, but it is an issue that our committee and others really need to focus on because it is the crux of many of the problems that we face today.

Admiral GIAMBASTIANI. Mr. Chairman, I might add one last comment on this. In regards to joint warfighting, that is how we organize a joint task force headquarters and how the commander operates with this task force, we are experimenting with and prototyping ways of bringing situational awareness. In other words, operational intel in from all of these myriad of organizations to try to synthesize it for the commander so it makes his job easier. And that is a significant effort within our experimentation program.

The CHAIRMAN. Thank you very much, Admiral.

The gentleman from South Texas, Mr. Ortiz.

Mr. ORTIZ. Thank you, Mr. Chairman.

I want to welcome the witnesses this morning.

General Hill, the recent events in Colombia, including the capture of the DOD contractor—also the role that contract personnel are playing in our military efforts. Current information that we have been able to pick up indicates that we might have up to one contractor for every ten military personnel in the war zone. This is information that has been given to me. I am just wondering whether this is correct information.

Now, with this in mind, what policies are being implemented to protect contract personnel in South America? And do we have a cost estimate for these policies.

And not only the policies, but what kind of training do they go through before they are going to be sent to a war zone, like the one in Colombia? And maybe, what is the cost?

Is it more prudent to have all military or is it advantageous to have contractors do, you know, part of the work?

Maybe you can enlighten me on some of these questions that I have just asked.

General HILL. Yes, Mr. Ortiz, and nice to see you again.

The United States military—and I cannot come close to understanding your number of one in ten—I cannot comment on that—but I would say that the United States military is relying heavily on contractors. I would not say too heavily. I would say that they are providing essential services that simply we do not have enough forces either in the active role or the reserve component role to do. That is why we take the contractors on. Sometimes it is even more appropriate for contractors to do the role than soldiers or other service members.

In the case of the contractors that you are speaking of, they received training from their employer, Northrop Grumman. They have received training before they come into Colombia and they receive rules of engagement training and force protection training from the embassy in Bogota.

And I would finally say that in all of those cases, those contractors recognize the risks that they are entering into, and they do so freely.

Mr. ORTIZ. And we do have contractors, as you stated, General, all over the place now. When we look at some of the civilian workers, you know, they are under the local military commander, whether it is a base, Navy facility or whatever. But when they go there—I mean, are they under the obligation they serve under the contractor or the commander who is at this zone in Colombia, for example?

General HILL. Sir, they take their instructions from their employer. And the employer sets down specific rules by which they do their service. They also must live by the rules that are put out to military people and to the contractors by my mil group in terms of force protection.

Mr. ORTIZ. You mentioned something very important, that maybe you do not have the personnel—this is why, you know, we have to depend on contractors to do some of the work. Don't you think that we might be in a position where we have to raise our end-strength because we do not have adequate personnel? And this is for all of you, maybe you can touch on that.

General HILL. Sir, I think that, given the new threat and the new wars that we are facing, that we will need to have a mixture of forces, both active component, department of military civilians and contractors. How that appropriate mix is made will be determined over time and to the conflict that we are in.

Mr. ORTIZ. I have some other questions, but I want to give somebody else a chance to ask.

And, General, good to see you again.

General HILL. Thank you, Mr. Ortiz.

The CHAIRMAN. I thank the gentleman.

The gentleman from New York, Mr. McHugh, the chairman of the Total Forces Subcommittee.

Mr. McHUGH. Thank you, Mr. Chairman.

Gentlemen, as I said earlier, welcome. We appreciate your being here and your service.

I am sure you heard, as I did, the distinguished ranking member make some comments about end-strength, plus-ups, et cetera, et cetera. And I certainly share, along with a number of others on this committee and in this Congress, his concern about the potential inadequacy of troops available to do the incredibly difficult jobs we have assigned to you and to them and the ever expanding jobs we have assigned to you and to them.

But with respect to, General Holland, with respect to the increase that SOUTHCOM is scheduled to receive under the President's budget proposal, about 1,800, could you tell us a little bit about the adequacy of that number?

Also, given the recent directive that forces under your command will have their traditional role of supported commander expanded, how do you envision those troops being utilized?

And again, as I mentioned the first part of my question, is even a plus-up, which I am delighted—like Mr. Skelton, I hope it does not come at the expense of the rest of the Army force; but at least we are plussing up something—how that fits into your vision for your forces.

General HOLLAND. Yes, sir. Let me start with your second part of the question because it drives me back to the first part, because that is where the driver is for the additional people.

But as the Secretary and the Department looked at Special Operations Command, how we were organized, we kind of reflected back into our past. And when we think about 1987, when Special Operations Command first stood up, there was an intent that it would have that operational role.

However, there was a commander in the early 1990s that made a comment, because as we continued to see how we were operating, it was really as an organized train and equip providing forces to other geographic commanders to accomplish the mission. And we worked through an organization called a Theater Special Operations Command, which is that particular special operations element which is under that particular regional combatant commander.

Because of what happened on September 11, then people said that, you know, obviously, we need to change, and part of that change that has come about is to make Special Operations Command the supported command for planning for the Global War on Terrorism. And then, at the same time, have that capability that if the Secretary of Defense chooses to keep Special Operations Command in the lead to execute, to ensure that we have the ability to accomplish that mission.

So as a result of what the Secretary has laid out for us as our mission, then we came back to him and said, for us to be able to accomplish that mission, then we need to operationalize the headquarters of Special Operations Command; we need to expand the Theater Special Operations Command, who are providing support to the regional combatant commanders; we also need to have more equipment, especially from an aviation perspective, to have our forces forward-deployed, because we saw the importance of forces forward and forces responsive. And with that, then it drives the numbers. So the numbers that you are seeing in the increase gives us the ability to accomplish that.

As one good example would be for Central Command, when you look at General Franks' organization. When we went into Desert Storm, and you think about Desert Shield 1990-1991, we did not have forward-stationed forces of a Theater Special Operations Command within Central Command at that time. We never really had the resources available to be able to put people over there in a permanent status.

Well, with the budget that we are taking forward, it will allow us, for the first time, to put those forces forward and then still have additional resources in the States to draw from to support that initiative.

So the entire initiative and the increases have been a result of us becoming the supported commander for planning the Global War on Terrorism and then also to have the additional responsibility to be the supported commander if the Secretary of Defense decides in those cases that we should be the supported commander.

At the same time, if the decision is made to make another regional combatant commander to be the supported commander, then we would continue with our same role of providing the forces to, say, example, General Hill, and down in Southern Command, which is exactly what we are doing today.

Mr. MCHUGH. So this 1990 figure was the figure that you all worked up and was not some variant of the original estimate?

General HOLLAND. Yes, sir. It was—along with this, I mean, we took a look at where we had stress and strain—and I know with Congressman Skelton, he had talked to me about this before—but we looked at where that we were having some concerns even on our total force and where we needed to have more robust active duty forces versus depending upon our reserve forces to carry the load.

And so, all the numbers that went forward were numbers that we had when Special Operations Command took forward and we got the support of the Department to go forward with those increases.

Mr. MCHUGH. Well, I appreciate that response, and congratulations on the success there, and maybe we will try to enlist you on our battles to plus-up the other parts of the military that we think need that help, as well. But appreciate it.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

I want to thank all three of you gentlemen for being with us today.

General Holland, I want to start with yours.

I have had an opportunity to visit with a number of the Special Forces folks who have served in Afghanistan and have really become of the strain it has put on the Special Forces community.

I guess what really caught my attention was on the day that the plane went down in Colombia; probably the most capable people for responding for that, the 3rd or the 7th, were in Afghanistan, even though they are almost all Spanish speakers and many of them thoroughly familiar with Latin America.

I also know that probably somewhere in the world on that day there was a Special Forces team at a relatively safe place doing some training.

The question that I am leading up to is, are they the only people in your mind in the Army who are capable of these training missions because—and I really had hoped to ask that question of the group in Arauca; did not get too good of a chance to do so on my most recent visit.

When you think of all the units in the military, is that the highest and best use for the Special Forces, are these training missions? I understand we had a period in the early to mid-1990s of relative peace around the world and we had the freedom to do things like that; but is that really the case right now?

On my limited time, General Hill, I am still—number one, I want to say I am pleased very much to hear in our private conversations that you are going to continue to have the Americans in a training mode in Colombia rather than an active combatant role.

As you know, I am very much in favor of the troop cap, because I take my duties as responsibly as you take yours. My duty as a congressman is to decide where and when we go to war. And I do not want this nation stumbling into a war without Congress having the vote and the responsibility for that war. If it goes great, wonderful. If it goes bad, shame on us.

And in particular, the deployment of 3,000 people to the Philippines in the past couple of days without any congressional vote or determination troubles me. I think that the Constitution says we ought to make that decision, right or wrong.

Having said all that, can you continue to live with the troop cap that are presently in place in Colombia? Because if we get any bigger than that, I think it ought to come from a vote of Congress and not just one man making that decision, being the President or the Secretary of Defense. I think it ought to be the vote of the elected representatives of this body and the people.

General HILL. Do you want to do me first, or do you want to do General Holland first, sir?

Mr. TAYLOR. I have only got five minutes—

General HILL. I will do your troop cap issue, Mr. Taylor.

At the present time, we operate well within the troop cap. And at the present time, I see no reason to raise the troop cap. And clearly, by the law and the statute, we would have to come back to Congress in order to do that. And I understand that.

I am very appreciative, though, of the language in the law that allows us to move people over the Plan Colombia number of 400 in terms of search and rescue, as we are doing with a small number of forces today trying to assist the Colombians in rescuing the three Americans held hostage by the FARC.

That is the short end of the answer. I would also like to go back to the one thing you said to General Holland. You said the most responsive folks to rescue the Colombians were the Special Forces—excuse me, the hostages. That would be true if you knew exactly where they were and you had them in country. But the most responsive folks in order to rescue those hostages in Colombia were Colombians and they were incredibly responsive. They were on the scene within 35 minutes. Unfortunately the plane touched down in absolutely the worst place it could have touched down and they were taken captive too soon.

Mr. TAYLOR. General, as a—well, I will get you later.

As a follow-up, you had mentioned that there could be some lawsuits from the families of the contract employees who were captured. Are those lawsuits directed towards our nation or towards the contractor?

General HILL. As I understand it right now, sir, one of the families has engaged a lawyer that I know of for sure. And in my knowledge, it is directed toward Northrop Grumman.

Mr. TAYLOR. Okay, thank you, sir.

General Holland, getting back to the Special Forces—

General HOLLAND. Sir, on the—

Mr. TAYLOR [continuing]. Are they uniquely qualified to perform that training mission? Or are there other units that could do that?

General HOLLAND. Okay, that is a great question to ask, because it is exactly what we are addressing with the combatant commanders, you know, as we speak.

We are looking across the world in all of the different types of missions that we have taken on. Obviously we want to have the right to refusal in certain countries, because it is important for our people, with their languages skills and the culture, to develop those relationships which are so important when we get involved with a crisis. Because all of us know we are not there alone.

I always make a comment about Special Operations: We are joint, we are combined and we are interagency. And that coalition relationship is very important for our success, whether it be a humanitarian, whether it be a crisis. And so, we need to continue to develop that.

But that does not say that in every circumstance around the globe that we have to do the training.

Now, it might be that you would want the Special Forces and the capabilities that we bring to bear to be the people to develop the program of instruction, we call it a POI, and get it started and then at some point then transition. And I will tell you a good example. We did exactly that with the Georgia train and equip program. On 15 December we transferred that role to the Marines. And they have now picked up that responsibility.

We are also looking at training the Afghan national army, which we have been doing. We have completed at least six battalions, and we have started the seventh battalion in training. We are looking at some point, we need to transition that.

So your question is a good one. It is one that we are actively pursuing. And we are working very closely with the combatant commanders to come up with a solution.

The CHAIRMAN. And if the gentleman would yield for just a minute, let me just let members know that we have got three votes, a 15-minute vote and then a couple of suspensions. So we will carry this on down until we are about five minutes from showtime here. And I would ask the staff to let us know when that happens. And we will break when we are about five minutes out.

General HILL. Could I add one comment to—

The CHAIRMAN. Absolutely. Mr. Taylor continues to be recognized.

General HILL. I am actively exploring throughout my region the ability to train forces and to work with other nations with forces other than Special Operations Forces. We can in fact do many of those missions with other people, and we are looking to do that.

In the case of Arauca, General Holland and I both concurred that this was a mission that was uniquely needed for Special Operations Forces because of the area that they were in and the mission that they were undergoing.

Mr. TAYLOR. Again, I want to thank all three of you for your service to our nation and all of the commands that you represent.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman.

And thank you, gentlemen, for being here.

General Holland, I have a Marine Fleet Anti-terrorist Security Team (FAST) team in my district. And I have heard talk around that there may be an integration of the Marine Corps with SOCOM. Could you tell us if that is being considered?

And also, could you tell us something about the availability of maneuver and training space available to SOCOM and how the encroachment issues have affected it, if it has?

General HOLLAND. That is a great question, and it is very appropriate, because as soon as I get back to Special Operations Command, the Marine Commandant, Mike Hagee, is coming to visit with me.

As you probably saw in some previous announcements that General Jones and I had come up with a memorandum of agreement between our two Commands, between the Commandant of the Marine Corps and the Commander of Special Operations Command.

We are continuing the initiatives to build the trust and confidence within our people. And we are also trying to see where are the areas that the Marine Corps, with the great capability that they have, where they can add mutual support to what we are doing in Special Operations Command.

Probably the best example was exactly what happened on 15 December on the Georgia train and equip program.

When Congressman Taylor asked that question, I immediately flashed to that, because it is not only important that we see that there were no seams as we transferred that responsibility from Special Operations to Marines, so it shows that, yes, there are other people that can do the training, but it also shows how SOCOM, Special Operations Command can work in conjunction with the services to come up with a success story. And that is a good success story.

We will continue to explore where we do acquisition, where can we share what each other is doing. What are we doing when their forces deploy at different places around the world to do the link-up so that they understand what is on the Special Operations charter from a regional combatant commander; and then, as they come into the theater, you know, what can we do to add mutual support?

And then, probably the more recently that you have heard about is that we are going to start a train-up. As a special warfare team goes forward on a six-month deployment, we are going to have Marines. And right now it is about 80 to 85 people that will go along with our sea-air-land (SEAL) teams as they forward for a six-month deployment. And as a result of that, then we will come back and take a look at where are those areas where we continue to add mutual support to each other.

So right now, everything is open. We will continue to look at it, but we definitely know that SOF is not entire of itself. The SOF needs services support, we need the support of the interagency, and we need the support of our coalition partners for us to be successful in our endeavors around the world.

Ms. DAVIS OF CALIFORNIA. About the question on training?

General HOLLAND. The encroachment?

Ms. DAVIS OF CALIFORNIA. Right. And the availability of areas to train.

General HOLLAND. The concern—and we have put together a large report that came forward. And if you have not seen that, I will provide that to you from our command.

But obviously encroachment on our training areas is a concern that not just we from Special Operations Command, but it is a concern that we have throughout the services. Because our ability to be ready when we are asked to go to a fight is all based upon how realistic the training we were able to accomplish, and if that training was able to be conducted as a full mission profile versus doing segments at one place and going to another range and doing something else.

So the importance of us is having ranges where we can do full mission profiles, take our wide range of capabilities and be able to exercise our people.

And ranges are always going to be something that will be a point of contention. We will continue to do everything we can from our perspective to ensure that we go by the laws and the environmental impact of all those; but at the same time we need to also have places where we can truly train our people to a level that they need to be trained.

And I will provide the copy of our report to you. And if you want that included in the record, I can include that in the record, Mr. Chairman.

Ms. DAVIS OF CALIFORNIA. Thank you, General, and thank you, gentlemen. It sounds to me like all of our services are doing well to work together. And I appreciate the job that all of you are doing. Thank you.

The CHAIRMAN. I thank the gentlelady. Why don't we break at this point, and we will be back after this little roll of votes here.

[Recess.]

The CHAIRMAN. The gentleman from Texas, Mr. Reyes?

Mr. REYES. Thank you, Mr. Chairman.

I, too, would like to associate myself with the comments of my colleagues in thanking you three gentlemen for the great work that you are doing.

And in particular, Mr. Chairman, I wanted to, at the risk of ruining General Hill's professional career and maybe his reputation, he and I went to grammar school together in El Paso a few years back. So it is good to have a good friend come back.

And back then, I like to tell people, Mr. Chairman, that we used to be in the playground talking about what we wanted to do. He always said that he wanted to be a great general in the United States military. I always told him I wanted to run away and work in a circus. I think we have both fulfilled—

[Laughter.]

We took a long time in getting here, but we got here.

I wanted to follow up with all three of you gentlemen on a question that our ranking member asked about this being the most dangerous period in our history. And I guess the obvious question for me is, what are the things that we need to be doing to support the challenges that you face?

And I say that with the thought in mind that throughout the history of this we faced many challenges in many different parts of the world. But I have got to think that today's challenge is particularly important because it is an unconventional threat that we are facing. And, you know, it requires an unconventional response, which means we have to really be thoughtful in how we prepare, not so much for the challenges that have occurred such as occurred in 9/11, but what those that are trying to attack us want to do in subsequent attacks on this country.

And then the last part of that is the kinds of forces, or the kinds of training, kinds of equipment, and those kinds of things that have to enter into the equation.

And I was just curious to comment from all three of you in how we can be helpful to help with your preparation and understanding the kind of threat that we face as a country today.

General HILL. Thank you, Congressman Reyes. I think that is a great question. And let me put it from a SOUTHCOM perspective.

I think that the mere fact that you are asking the question is a great statement, because what happens is there is an understanding between the military and the Congress that supports the military, because that is in fact your job, you have got it right here in front of your podium, a recognition that there are threats to the United States that were out there today that were not out there 20 years ago. Probably were out there 20 years ago and we did not notice them because there were other, bigger threats. That is first and foremost.

The second is to continue to support the American military in the way that this committee has and the Congress has over the years. Even as you differ in opinions, policy opinions, in fact the committee has always been the staunch supporters of the American military and the personnel that support this great country and serve this great country.

The threats to the United States from SOUTHCOM do come at us from a different direction. And the first and foremost in my opinion is drugs and the money that the drugs supply to the narco-terrorists, who in fact then move that money in varying degrees through various apparatuses into other international terrorist organizations, and we are fueling, through the drug trade, international terrorism.

Finally, I would say to you on this committee in a specific instance for how can you help Southern Command. We have asked to come back to the Congress, the Department of Defense has, for continued expanded authorities to continue to break the nexus between drugs and counterterrorism. In point of fact they are one in the same—you cannot continue to draw the line between what is counter-drugs and what is counterterrorism, and we must be allowed to fight them with both our hands.

Thank you very much.

General HOLLAND. Yes, sir. I will just jump on the bandwagon; exactly what General Hill had mentioned. I think the fact that we have recognized that times are changed, there is uncertainty, even the American people's awareness is even far more aware than what they have been in the past, will definitely help us in the right direction.

I am reminded that during my trip in Afghanistan each time that I have traveled, I have talked to our soldiers, sailors and airmen from Special Operations Command and it always comes back to the question, "We understand, sir, we have the military might and there is the political will, but what about the American people?"

Our people understand the importance of their job. They will serve 24-7 around the world. They realize when a deployment order comes in that their reason for being is the reason that they raised their right hand, that they would support and defend the Constitution of the United States against all enemies foreign and domestic. I think that domestic piece has a little different flavor today than what it did in past years.

But it seems like the question always comes back, "What about the American people?"

So continues to stand behind our people as they are forward, and the other part is that you see with our budget that is coming forward the Department also has recognized this term about uncertainty, and we have had the additional resources that we gave been plussed up to handle this particular threat.

So we appreciate your support on that endeavor.

Admiral GIAMBASTIANI. Just a footnote, Congressman Reyes. I would add that how you can help us is support us as we look at the different force mixes that occur within the services and in the joint force overall.

And what I mean by that is, in the homeland defense area, we have created a number of different units; for example, quick reaction forces, rapid reaction forces. There is a number of other joint task forces that support now the Northern Command. And we are trying to relieve forces like Charlie, Holland's Special Forces and Special Operations Forces, so that they can focus on the external war on terror, and we will use conventional forces to, for example, do training.

One of the things you did not hear earlier is that the free Iraqi force training that is being done in Tazar, Hungary is actually being done by all conventional forces. That, normally, as he explained to you in the Georgia case, would have been done with special forces, and, of course, in the Georgia case it was turned over to Marines, which are conventional forces. But in the case of Tazar, Hungary, to relieve any pressure that we had in the take-up of additional responsibilities, we use conventional forces to do this.

So if you would help support us in this drive to equalize the amount of work that we have got across the force, that would be useful to us.

Thank you, sir.

Mr. REYES. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And the gentleman, Mr. Reyes, was perhaps the most successful Border Patrol chief in our history, and his district is where JTF-6 is located. And because of that, General, I thought that your comments about the integration, if you will, of the terrorist operations and narcotics operations is kind of an important fact, because that, to me, would seem to compel us to want to keep a robust JTF-6; that is, military coordinated operations to secure the border in a

fairly robust state. Do you agree with that? You up-to-speed on JTF-6 and their operations there at El Paso?

General HILL. I am, sir.

The CHAIRMAN. What do you think about that?

General HILL. And I think that the integrated system between the Joint Task Force-6 and my JIATF, Joint Interagency Task Force East in Key West, is a key role.

If you go to JIATF East, it is one of the national treasures, in my view. It is one of the few places in the country, maybe the only place in the country, where all the intelligence assets come to bear, both in terms of being able to task intelligence, receive intelligence, fuse intelligence, analyze intelligence, and then they have the operational ability to execute on that intelligence in a timely manner, and they are, in fact, the first line of defense against the drugs entering this country.

The CHAIRMAN. Okay. Thank you.

And, Silve, you may want to work, engage with SOUTHCOM on this issue at a later time here.

Mr. REYES. I will, Mr. Chairman. Thank you. I appreciate the support.

The CHAIRMAN. I thank the gentleman.

The distinguished gentleman from Virginia, Mr. Forbes?

Mr. FORBES. Thank you, Mr. Chairman.

And, Admiral, I know that you know this, but some of my colleagues may not be aware that the Joint Forces Command, Joint Warfighting Center is located in Suffolk, Virginia, in the 4th District; and Suffolk is very proud to be the home of the Joint Warfighting Center. I know the chairman has visited there before and we enjoyed visiting there last summer when you had the Millennium Challenge 2002, and certainly look forward to 2004.

Unfortunately, a lot of people in the public really do not realize, I think, fully, the opportunities we have there to find our mistakes and weaknesses and correct them without paying the price tag of lives, but we certainly appreciate your efforts there.

I know that JFCOM is not only the lead agent for service transformation, but that JFCOM itself has undergone quite a transformation from the days when it was U.S. Atlantic Command.

As commander, can you tell us how JFCOM is pulling together transformation for the Department of Defense? And do you feel that you have adequate resources to fulfill that mission in light of all the recent changes under your purview?

Admiral GIAMBASTIANI. Thank you, Congressman Forbes. It is always a pleasure to be able to talk with you, and thanks for your support of Joint Forces Command and, in particular, our Joint Warfighting Center and the Joint Futures Laboratory.

I might just add, before I go into the transformation pieces, as an overall answer, out in Suffolk, Virginia, we have, as part of the overall complex—we have a second group out there which is actually my J-9 directorate, and they actually run the Joint Futures Laboratory, which does our concept, development and experimentation.

And I have a large portion of military, civilian, and contractors who actually work there. I will talk about that in just a second.

First of all, I would reemphasize again that the fact that we no longer have a geographic area of responsibility is important and that we are focusing more on concept development and experimentation. In fact, in the Unified Command Plan there were two key things that were pointed out by the Secretary and the President in that Unified Command Plan that was executed on the first of October of last year: One of them was to create a new Northern Command for homeland defense; and, the second part that was brought out was to allow Joint Forces Command relieved of some of these other responsibilities, to be able to focus on transformation.

What I would tell you along those lines is—is that since I have been at the Command over the last five months now, we have made our budget submissions. The budget is now, of course, up here on the Hill. And there are substantial resource increases to support efforts within Joint Forces Command to support my fellow combatant commanders as we try to become more joint, multi-national, and also increase our work interagency-wise.

Let me point out in the joint training area, besides those things I have talked about already, one that is very big is the Joint National Training Capability. Right now, there are 37 sites, frankly, 15 states, that have very, very competent, very professional training facilities and simulation facilities across the United States that support our services. And that what I would call is the first training transformation that occurred within the United States is the advent of all these very fine ranges and simulation facilities.

The next wave of transformation that I think is very important, that has just been directed, and there are substantial resources now coming to, not only Joint Forces Command, but the services, to stand this capability up, is to net all of these together, if you will, into a live virtual and what we call constructive network, to allow us to take every opportunity to get joint training and drive it even down to the lowest level within the services and provide us with an ability to get good feedback, as you already pointed out, to provide that feedback to the services, and also provide us with a venue to do concept development and then experiment with those in our exercises.

So this is a fairly big initiative. We are talking numerous hundred million dollars across the entire fiscal year defense plan, but also sizable amounts of money, frankly, in this fiscal year 04 budget.

In addition to that, how we have come a long way is that as of the first of October of last year, my predecessor was actually dual-hatted as the Supreme Allied Commander Atlantic. We had two NATO Supreme Allied Commanders. I did not relieve in that role, and there was a reason for that, because the United States felt from the Administration's perspective that we would stand up hopefully some type of transformation command within NATO.

And at the November ministerials that the president, Secretary Powell and Secretary Rumsfeld attended, it was decided throughout the entire NATO alliance that we would stand up, probably in June of this year, Allied Command Transformation.

As a matter of fact, tomorrow, General Jones, the Supreme Allied Commander of Europe, and the interim commander of NATO right now for the Atlantic, Admiral Ian Forbes of the Royal Navy, and

myself are meeting with our staffs so that we, in fact, can bring NATO forward. We are looking at standing this up starting in June and bringing the command forward.

That, in itself is important, because transformation is not only inside the joint role, but it is multi-national and it is also inter-agency. And I think we are out of time, sir.

The CHAIRMAN. I thank the gentleman.

The gentleman from Georgia, Mr. Marshall.

Mr. MARSHALL. I will just thank all of you for your service to our country. And I am very interested in learning more about your operations and supporting you in any way I can.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman.

And I am glad that you are all here to testify today. I have a—my question leads into the Southern Command and I believe it is called Operation Noble Eagle. Of what has happened—I am from the south Florida area and, as you know, we have Cuba that is just 90 miles off of Key West. And some of the deliberations that are going on in the U.N. right now, as it relates to who is in a line with Iraq, Cuba is.

Cuba is one of the countries that have agreed with Iraq, as it relates to their position in the U.N., and is a communist country. We have had incidents in the past as it relates to civilian aircraft being shot down by Cuban MiGs. We know that we have had a few incidents as it relates to Cuban MiGs flying into the Air Force base in Key West.

I just met recently with the mayor of Monroe County. And just the last high alert we had, when we had a terrorist information saying that we could possibly have a terrorist attack, non-state sponsored, a Cuban gunboat came right up into the—what you may say the cruise ship harbor there, docked—four armed Cuban military officers walking down Duval Street. Obviously, they surrendered.

But I am just trying—in another, October of last year—but this does not fall into that category—the U.S. Coast Guard escorted some 200-odd Haitians into—close to downtown Miami and everyone got upset about it. But the Coast Guard was on top of it; out even further out from the bay and was able to make sure that it was a harmless vessel.

I am wondering, how can we—and especially the members on this committee, including our chairman—I am a part of the Homeland Security Select Committee—this a discussion that we are going to be having, as it relates to the safety of our borders.

What has been corrected, as it relates to these aircraft being able to land in south Florida, or coming in by board undetected? I know the Coast Guard, many other folks, and so that I know that SOUTHCOM, you have that kind of relationship.

Has there been any corrections? Are we paying attention to what they are doing? Because I just do not—I want to make sure that we are covering this area well.

And there has been some great discussion at SOUTHCOM or either with Operation Noble Eagle.

I know that we have aircraft at Homestead that could scramble and deal with those issues. If any of you could elaborate on that, I would appreciate it.

General HILL. Well, I would defer the question of aircraft interdiction to the NORTHCOM commander——

Mr. MEEK. Okay.

General HILL [continuing]. Because that, in fact, is his purview.

I will speak to, tangentially, the issue of the small craft that came in from Cuba, which essentially was a go-fast boat, very similar to what drug-runners use.

We catch some drug-runners; we do not catch all drug-runners. That is an ongoing problem that will face the United States for years to come. And we have to continue our efforts in order to interdict those efforts—those illicit activities—but it is going to be very difficult. And it requires a coordinated effort by a lot of different people, as we just talked about with the chairman between JIATF East and other organizations—Homeland Defense, Northern Command and all of that.

Mr. MEEK. Let me just elaborate a little further. I know that—we know we have immigration issues in South Florida. And we know that dealing with the Caribbean and some of the islands that are there and some of the issues as it relates to shaky governments, I know that that is going to be more and more of issue.

And a lot of the folks in Monroe County, including the mayor—the mayor of Key West—has great concern with it. I mean, it was at a time of high alert.

And, hopefully, I could talk with the U.S. Coast Guard, some of the other folks that are trying to do the best that they can do. But I think that, not only this committee, but the Northern Command or the Southern Command as it relates to dealing with the Caribbean nations, and also South America, that we need to pay very, very close attention.

This go-fast boat was marked as a military Cuban vehicle or vessel and could have been used to—could have done harm to a cruise ship or even individuals there in Key West.

So I understand that the task is big, but it is something that we are going to have to focus on. And I did not know if you all had great deliberations or even a plan to try to deter that from happening in the future.

And, as you know, we had a crop duster land in South Florida recently, and was sold in Marathon. All of this seems to be normal practice, but I can see the danger in all of that.

So I look forward, General, working with you and others in the Northern Command so that we can hopefully come to some sort of peace of mind for folks in South Florida and ultimately for the country.

The CHAIRMAN. I thank the gentleman.

Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman.

Admiral—and this is maybe a little bit of follow-up—I was just trying to determine the difference between Northern Command and North American Aerospace Defense Command (NORAD) now—now, I find, in terms of responsibility.

I keep asking, trying to find out who is in charge of what. I am all for transformation, but I am having great difficulty, Admiral, in figuring out exactly who the hell is in charge.

Now, in your testimony, we start on page 3, you talk about the Millennium Challenge and units deploying from the continental U.S. And on page 2, 90 percent of the nation's forces deployed worldwide in support of the war on terrorism, including here at home.

And taking for granted that we know what knowledge—centric, network-centric and effects-based operations are, and you have defined them later in your testimony.

And that we understand what joint community, joint requirements, future joint environments, coherently joint capabilities are all in conjunction with borne joints.

And taking into account then that around page 10, you get to the Northern Command—excuse me, on page seven you say the Joint Forces Command is the “nation's agent for transformation.”

And along about page 10, we get to “additional efforts that support the commanders of Northern, Central, Pacific and Special Operations Command.” That is the first time northern makes its appearance there.

Then we get on to page 19, and where you talk about being the executive agent for joint concept development and experimentation.

Northern Command makes its appearance, then, on page 23, as you get near the end of the testimony: “Additionally we have delivered four interim capabilities that directly support the Global War on Terrorism and ongoing military operations for Central Command. Six other initiatives that support U.S. Pacific Command and Northern Command for homeland security.”

Now, in testimony that General Eberhardt is going to be giving, he talks about a conceptual framework having been established. And in that conceptual framework, as best I am able to understand, the Joint Forces headquarters has moved your homeland security component, and your civil support component, and the aforementioned JTF-6 component into Northern Command.

Is that correct?

Admiral GIAMBASTIANI. That is correct, sir.

Mr. ABERCROMBIE. Why?

What is the Northern Command doing that you were not doing before and could do better given all of the testimony that you have in here about your joint operability, your joint training, your integrating, all the things that you say you are doing here.

What on Earth is the Northern Command doing that, at best, is not a duplicate or simply trying to extrapolate out of it for some reason some opportunity to do something?

Admiral GIAMBASTIANI. First of all, I would tell you that I do not think what Northern Command is doing and what Joint Forces Command is duplication.

What we have done is turn over—first of all, in the Unified Command Plan that became effective on the 1st of October, for the first time ever we have a combatant commander who has the area of responsibility of the United States for homeland defense.

That did not exist before.

Mr. ABERCROMBIE. That is right.

Admiral GIAMBASTIANI. That is number one. Number two——

Mr. ABERCROMBIE. Probably because we have a posse comitatus law, among other things, because we do not want to have a military command having the possibility of taking over police functions in this country.

Admiral GIAMBASTIANI. Let me continue on, and I think I can explain why this is important. Joint Forces Command expended a significant amount of energy standing up and forming a joint task force homeland security, a joint task force civil support. JTF-6, for example, has been in existence for a long time.

Mr. ABERCROMBIE. Yes.

Admiral GIAMBASTIANI. All of those reported operationally to Joint Forces Command; so, therefore, the amount of time that the commander spent on a daily basis worrying about transformation or worrying about operations—he spent a lot of time worrying about operations, if you will, to support those civil support and homeland security JTFs, in addition to JTF-6.

I no longer have that responsibility. That has been turned over to General Eberhardt so he can combine that with his North American Aerospace Defense Command responsibilities; he can worry about what is happening off-shore from a homeland defense perspective in a maritime sense. He shares that with the U.S. Pacific Command, as you know——

Mr. ABERCROMBIE. Yes.

Admiral GIAMBASTIANI [continuing]. For Hawaii and also for Alaska. That allows me to spend more time worrying about transformation. That was one of the purposes of this, so I am a force provider to NORTHCOM, just like I am a force provider to General Hill, General Franks, Admiral Fargo. I do this for the other combatant commanders.

Mr. ABERCROMBIE. Well, is that—am I correct, then, have we set up an entire command to essentially be a reporter to the rest of you as to how all the coordination is going?

Because when the Colombia went down, I have the release here from the Northern Command. Everything that you were doing before—in some respects it is a compliment to you. Everything that you were doing before apparently kicked in into being—with the Federal Emergency Management Agency (FEMA), with the connection with the National Guard, with the 5th Army down in Texas—everything went in, and the Northern Command observed it all, from what I am able to gather.

Admiral GIAMBASTIANI. I do not think——

Mr. ABERCROMBIE. We are spending hundreds of millions of dollars a year; we took people out of the existing commands and put them in the Northern Command. All, apparently, to have a big public relations (PR) operation with a web site about who we are and what we do, and it looks like just an enormous reporting operation.

What kind of authority exists there that did not exist with you? And what kind of operation is now underway that would not have gone into place anyway had this Northern Command not existed?

Admiral GIAMBASTIANI. I think you will find that in the long-run, Northern Command, in my opinion, will bring homeland defense to

a level that Joint Forces Command could not do because of all of the responsibilities that we had.

We are—

Mr. ABERCROMBIE. Okay. I will accept that. A very quick follow-up on Mr. Taylor's questions, and the observation made about the JTF-6—and to both Generals. I accept what you say about the drug situation, believe me, I do.

What bothers me, then, especially where special ops is concerned in Afghanistan—are we or are we not acquiescing by default or by design to the reestablishment of drug enterprises in Afghanistan?

Is the United States actively pursuing the suppression of drug cultivation and distribution in Afghanistan today?

General HOLLAND. Sir, from a Special Operations standpoint, that right now is not the mission that we have on the table. I think what we need to do is to, we will get back to you and just take that for record.

[The information referred to can be found in the Appendix beginning on page 811.]

Mr. ABERCROMBIE. I yield to Mr. Taylor.

Mr. TAYLOR. General, with all due respect, as someone who is in charge of the soldiers involved in those missions, I would ask that you would speak out of the insanity of this policy.

We have got 500 brave young Americans down in Colombia right now with the nexus being a counter-drug mission. We are paying contractors to fly modified observation planes to spray the coca fields.

They get shot at—they get shot down occasionally. How on Earth does it make sense to turn a blind eye to the opium trade in Afghanistan?

And I have seen the CIA briefings and I have seen the sacks of opium stacked up like oyster sacks on the pier at Gulfport—I mean, as far as the eye can see.

And yet we turn around and say, we, as a nation—you know, we are combating drugs. Well, heck, if it is wrong in Colombia, it is wrong in Afghanistan.

And somebody at some point has got to say that. And I think it is wrong in both places.

Mr. ABERCROMBIE. Reclaiming my time. This is not an accusation against you folks, you understand that—that Mr. Taylor and I are engaged in. We think, as a matter of fact, you are being, if anything, victimized in this kind of thing of the policy.

My point in asking the question and in following up on this is I think it is important. I do not, however, Mr. Chairman, want to see United States military personnel committed into something in which they cannot actually exercise the kind of capabilities that they have in regard to a mission which we, at least on the surface, say we support.

Thank you.

The CHAIRMAN. Okay, I thank the gentlemen, and the—Mr. Kline, a gentlemen with great military expertise, is recognized. And let me apologize to our witnesses in that I have to leave shortly, but the chairman of the Terrorism, Unconventional Threats and Capabilities Subcommittee, Mr. Saxton, will take over the hearing.

So, I thank you for your testimony today, Mr. Kline.

Mr. KLINE. I thank you, Mr. Chairman, and gentlemen, thank you very much for your service, hard work and for being here today, and for your very detailed answers to our many and diverse questions.

I would like to follow up on the question of intelligence and how it is getting to the warfighter, but frankly I am going to defer that to another venue, where we are in a classified session and we can talk about that.

So I want to talk instead about manpower issues. I was speaking to a group in Minnesota the day before yesterday, and in the audience there was a young man who identified himself as a member of the Army Reserve, and only half-jokingly said he was the last reservist left in Minnesota.

We suggested that he be escorted out of the room.

My point is that—General Holland—and I think hearing your testimony, the notes I have, that one third of your military manpower is from reserve components. And my guess is that the people in my district and most Americans would be surprised to hear that number. And I have not looked closely at the force structure, but I assume quite a bit of that is in psychological operations (PSYOPS) and so forth.

My question to you and to anybody who would like to weigh in on this is, do you think the mix is right of active forces and reserve component forces for special operations command?

And I am really driving to the question of overall end-strength in the total force and, specifically, active end-strength—are we where we need to be?

General HOLLAND. Senator, it is a great question, because within the budget request that has come over, we have taken this on as an issue because we need to work because we do have an imbalance.

I will use the example of civil affairs. Ninety percent of our people in civil affairs reside within the reserves. On the psychological operations side of the house, two-thirds of our forces are on the reserve side. Today, in Afghanistan, a member of the Army National Guard is the combined Joint Special Operations Task Force Commander. And so, you can see how much we depend upon the guard and reserve.

And so, from a total force element, I have great examples of how they are—what they are doing for us. So what we have done in the budget, we need to bring on more active duty people into civil affairs. We are requesting two additional companies. We are also requesting two additional companies for psychological operations on the active side. And also with that, four additional companies for—on the reserve side. So we have recognized that piece of it and we are going to take that on. And those two areas are the ones that have our largest concerns.

Mr. KLINE. Thank you.

In those cases, then, you are really calling for an increase in end-strength to the Army in this particular case. I would assume that you are looking for greater end-strength in the Army or a realignment of their force structure that will give you active components that would be part of Special Operations Command?

General HOLLAND. Yes, sir, we are working very closely with General Shinseki. And what he did is he cross-walked those positions with dollars from the Army to Special Operations Command.

Mr. KLINE. Okay, thank you very much. I will yield back, Mr. Chairman.

Mr. SAXTON. Thank you.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman.

And, gentlemen, we certainly appreciate you being here this morning. And I want to tell you how proud I am of your service. I am very grateful. The family that I represent, my family, has some military service. My dad was with the 14th Air Force in the Flying Tigers, so he covers Air Force and Army during World War II. I am very grateful to be a member of the Army National Guard myself.

And then I have a son who is in the U.S. Navy, at ensign in the U.S. Navy, and two sons in the Army National Guard. And the tradition shall continue. My son in the Navy—his wife is in labor right now in Bethesda, getting ready to provide you a new recruit. And so, we are real excited about that. That is our first grandchild.

Mr. SAXTON. Will the gentleman yield?

I understand through the grapevine that when your kids are grown up, your only question is which service will you join?

Mr. WILSON. It is. It is which service? And I am really proud of their service—and because it means so much to the country. And thank you for what you do.

Now, Congressman Kline is always ahead of the curve. He has already asked the question I wanted to ask about civil affairs and PSYOPS.

I do want to point out that in South Carolina we are very pleased that the civil affairs unit there in the Midlands was established by then-Governor Strom Thurmond. And it has had many of the leading citizens of South Carolina as participants. And we are very grateful for the opportunity that we have had to provide that service. And in the future we hope to continue. And I am very pleased with the guard and reserve role.

But Congressman Kline did save me one question. And that is in regard to the Osprey program. I am very interested in that, General Holland, and that I am very supportive of it. I think the unique capabilities of it are so important. And I am very happy to see that in the budget that there is a provision for two, to be used by the Air Force Special Operations Command. And I would like your view of how you feel that program is developing?

General HOLLAND. Yes, sir. In fact, in this room I made a comment—previous testimony that as we bring on the CV-22, we need a safer, reliable and maintainable aircraft to be able to put our people in on the target.

I am cautiously optimistic. We are continuing to look at the testing that is ongoing as far as the basic MV-22. Everything is proceeding well. Within the next month or so, we will start on the CV-22 equipment specific, such as terrain-following radars, electronic warfare. And that will go into a test program over the next year. And I would say that probably in one year from now, or a little

over that, we will have a very good test data on the viability of that platform.

In conjunction with this, we have also gone back through the department to bring on additional test aircraft. Because what we want to do is we want to reduce the risk over the next year. And we would like to do some parallel testing on TFTA, the Terrain Following/Terrain Avoidance radar and also the electronic warfare.

As I have talked to the crews, they are all excited about it.

They continue to talk about the awesome capability that this brings. From our standpoint, it is a transformational weapon system and will give the chance with the speed and the ability to get inside the decision cycle a very good capability to special operations in the future.

Mr. WILSON. And I appreciate your comments initially about on target. That, to me, is so crucial; and I yield the balance of my time.

Mr. SAXTON. Thank you Mr. Wilson. Mr. Israel.

Mr. ISRAEL. Thank you, Mr. Chairman. I would direct my question to Admiral Giambastiani. Admiral, I am new to this committee; although I am not new to Congress. And I have been trying to read a lot about, study, and learn about issues of military transformation and modernization. And I just read an excellent book by Robert Kagan called "On Paradise and Power," that is being discussed hotly throughout Europe and here in the United States.

And one of the things that Kagan says is that European defense budgets will continue to diminish rapidly as European governments pursue non-military trajectories in light of the absence of power that those governments have.

So it seems to me that the allocation of resources that our NATO allies can apply to transformation and modernization will decline, or be nonexistent, over the foreseeable future. And I am wondering what you think we ought to be doing to promote and coordinate and encourage our NATO allies to do with respect to modernization and their own transformation. That is one question. I will ask you the second question after you answer the first.

Admiral GIAMBASTIANI. Okay.

Thank you for the question, Congressman Israel. I think it is a very appropriate one. By the way, I have not read the book, but I did see the article in the New York Times Magazine on Robert Kagan here about two weeks ago.

What I would tell you is this: Secretary General Lord Robertson has spent a significant amount of his time as the Secretary General, frankly, lecturing, trying to gain support from the various governments within NATO to, in fact, increase their spending. And there are few who have done that and are very supportive. And there are others, unfortunately, where the budgets have been declining. But that is not for me to—I can just be an observer in this.

What I would tell you from my perspective is—is that we believe very strongly that bringing allied command transformation within the NATO organization to fruition here this year, and standing this organization up, will give us an ability to train with, learn from, in fact, export things that we know in the transformation area that are very important for us to be able to war fight in a coalition manner with our allies in the future.

We think that there are capabilities that we have clearly that the Europeans do not have; yet, by the same token, there are very important capabilities that our coalition partners in the Global War on Terror have been bringing. Our ability to work with them is important.

But let me point out one particular part of the NATO structure that I think we can make a success. And General Jones and I are very much committed to working on this, and that is the NATO response force. This is a vehicle in my view, where, from a command and control perspective, using techniques and procedures, doctrine that we have learned and built on in an experimentation and a history of operating with them with our joint task forces that we can export and bring to this organization to make it more responsive, able to be able to do operations that are directed by NATO.

So what I would tell is that there are organizational constructs that we can help bring to this coalition that are important. And I think from that perspective we can bring great capability to us and our allies.

Mr. ISRAEL. I appreciate that, and I look forward to continuing to hear more about it.

My second question is and again I, up to now, have some limited exposure on this issue, and learn more everyday. But in my own reading and research on transformation issues, it seems to me that each service is undergoing their own individual disparate transformation—separate forestructure, separate RDT&E, our next generation weapons system, separate procurement decisions.

My question is, to what degree do you seek to harmonize and coordinate those transformational issues, and should we be doing more?

Admiral GIAMBASTIANI. Let me answer the second half of that question. First of all, should we be doing more? The answer is "yes".

And, are we trying to do more? The answer is "yes".

One of the things that the service secretaries and the service chiefs themselves have told Secretary Rumsfeld—and I have heard them tell him when I worked for him as the senior military assistance—that they looked for concepts of operation that were joint in nature such that they would provide a context for how the services would build their budgets.

And I think over the time that I worked for Secretary Rumsfeld—we have moved a significant distance here to be able to do this. And, in fact, now, the chairman, his staff, Joint Forces Command—other combatant commanders are taking part in this, but we are trying to build and then experiment on these overarching concepts of operation by which the services can feed in, if you will, and have a better idea for the secretaries and the chiefs of the service how, in fact, they should organize, train, and equip their forces.

Mr. ISRAEL. I see. Well, thank you for your work, and I look forward to working closely with you, and I yield back my time.

Admiral GIAMBASTIANI. Thank you, sir.

Mr. WILSON. If I may just step out of—Admiral—out of order here for a minute—something happened that we observed that

raised some questions, and it was involving the C-130 transportability, the Stryker.

Admiral GIAMBASTIANI. Yes, sir.

Mr. WILSON. And I assume that the Joint Forces Command would be a coordinator between the services so that those kinds of things do not happen again. Is that—do you play that role?

Admiral GIAMBASTIANI. Sir, we play a role with regard to interoperability, if you will, and integration. We do not—I do not think Joint Forces Command, because we were not created when the stryker originally came about.

Mr. WILSON. I understand that.

Admiral GIAMBASTIANI. I do not think—what I was going to say is, we review a lot of operational requirements documents from all of the services to try to make sure that there are interoperable. I do not know, but I will find out for the record whether we had looked at it. I do not think we did. And I am not sure that in the context of a vehicle fitting inside an aircraft, frankly, we would have looked at that, but that is a very good point. I had not quite thought about it in that perspective.

Mr. WILSON. There are details. Somehow these details slipped through somehow. The stryker does fit in the C-130.

Admiral GIAMBASTIANI. Yes, sir. It does.

Mr. WILSON. And from many locations, it is so heavy, the C-130 cannot take off.

And it seems as though when the Army was looking for funding for Stryker, they came to the committee during the period of time when we were having conference with the Senate, and said: "Please yield to the Senate position. We really need to fund this, because it will be C-130 deployable."

Well, it turned out that it is—you can make a case that it is. I mean, you can deploy it 60 or 100 miles or something with a C-130, but that is not what they meant, I believe.

So anyway, I bring this up only for future reference. And I hope that you are joint command will get down into those issues, as well.

Thank you.

Mr. SAXTON. Mr. Ryan.

Mr. RYAN. Thank you.

My question is for General Hill. You talked a—little bit about the drug trade and the drug money and how that leads directly to international terrorism. Can you just kind of explain—I am also new to the committee and new to Congress—that is why I am sitting way over here.

Can you explain to me a little bit about how your efforts are coordinated with some of the national stuff within the country is handled and how the two kind of work together?

General HILL. We do interagency support of the President's and the National Drug Policy, work closely with the Office of Drug Control, Mr. Walters' office. We are—we have—working out our MOUs, memorandums of understanding, with NORTHCOM on how we will coordinate our efforts—the interdiction efforts coming out of the Caribbean toward the American homeland. And on other, Drug Enforcement Agency (DEA)—we work with all those different agencies in our area.

Does that get at your question, Mr. Ryan?

Mr. RYAN. Yes. Thank you.

And then one final one. How do you think—and I do not know if anyone asked this or not—how do you think things are going as far as our war on drugs?

And how effective has it been in kind of drying up money for these international terrorist organizations?

General HILL. In the last year, the reports will come in and they will show you that there has been a 15 percent drop in coca production in Colombia. There was a slight rise in coca production in Peru and Bolivia. But I think you will find the numbers will show at about an eight percent drop in coca production.

There is an increase in heroin poppy production in Colombia. We are, in many ways, I believe, in Colombia, especially, attacking the FARC and the National Liberation Army (ELN) and the United Self-Defense Forces of Colombia (AUC) and the other illicit groups—attacking the source of their money, which is drugs. And the Colombians are being a very effective force at it, and getting better everyday.

Mr. RYAN. How about the use in this country of—I have noticed the ads on TV and how they are trying to illustrate the link between use in this country and the international terrorism—how effective have those commercials been, if you know?

General HILL. I cannot answer that, Mr. Ryan. I do not know the answer to that.

Mr. RYAN. Okay.

Thank you, Mr. Chairman.

Mr. SAXTON. Thank you.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

And gentlemen, thank you for being with us today and for your patience.

General Holland, as you well know, I had the privilege to be with you and some of the other folks in different locations here recently. And I cannot tell you how proud and impressed I am with the young men and women that are serving our country in all the capacities that we saw. Also, I want to thank you for an excellent briefing we got on SOF aviation last week. A couple of folks behind you were largely responsible for that.

Got a question for you. Over and over again, people are asking, what is the cost of the war on terrorism?

Let me ask in a different way. Given our less than stellar record, and this goes back at least 12 years, of not prosecuting the war on terrorism, what is the cost to America, in your opinion, if you want to express one, of not fighting—winning the war on terrorism, which very clearly includes Iraq?

General HILL. Well, Congressman Hayes, I would like to be able to put a number on that. But, I mean, there are so many variables, because you look at lost opportunities as a result of what happened.

I think if you put it into the number, as far as loss of life and as we flash back on what happened on 9/11, and you think about the people we lost not only in New York City, but in Pennsylvania and at the Pentagon. And then you kind of flash to the future and

you can ask the question: What if weapons of mass destruction were involved in one of those attacks? And I would submit that 9/11 would pale in comparison.

And so it is hard to really put a dollar figure, but, I think, we as Americans and we as a free society need to continue to do everything we can to ensure that this does not happen again, because the tragedy not only to the loss of life, but to our way of life is definitely in peril.

Mr. HAYES. Thank you, sir, I appreciate that.

And I just think it is important publicly to state that maybe people cannot tell you the cost of fighting the war on terrorism, but the cost of not fighting and winning that war is far higher. We need to keep that out there.

Colonel Wilson asked about V-22. I know we had a little glitch. Just want to plug in; you do not need to answer. And hopefully, if we stay with the Barry Amendment, buy American—and I got staff checking to see if that was somebody else's titanium causing the hydraulic line fault—and we will keep our folks moving ahead, because we want your folks and all our men and women in uniform to have every assets and resource that they need.

Again, thank you for being here, for your patience, for your service. And anything we can do to encourage and thank the folks under your command, please make sure we are on the ball doing that.

General HILL. Yes, sir. I will pass that on to them. And we appreciate your leadership at the SOF Caucus, as well.

Mr. SAXTON. Thank you, Mr. Hayes.

Mr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman.

General Holland and Hill and Admiral Giambastiani, I just want to echo what my colleagues, the gentleman from North Carolina and the gentleman from South Carolina, had to say just a few minutes ago before he had to leave; how much the people of Georgia appreciate the work you do and how grateful we are for a strong national defense. The citizens of the 11th district that I represent, the eight and a half million people in Georgia, are very grateful for your command. And I appreciate your testimony today.

My question will be directed to General Hill, and it is kind of a follow-up to the question in a way that my friend, the gentleman from Ohio, asked a few minutes ago about the drug situation, and particularly in regard, General Hill, to Colombia.

The capture of the three DOD contractors in Colombia would appear to be a mark of a major escalation by the FARC against the United States. And I wanted to ask you two questions in regard to that.

First of all, do you view this incident as a major turning point in the way that the FARC operates with regards to the United States?

And the other question is, what is your command's participation in the ongoing search and rescue operations in Colombia?

General HILL. The FARC have been becoming more aggressive against the Uribe government and the Colombian people since President Uribe took over in August. The reason they have become that way is because President Uribe and the Colombian military,

I believe, are making a difference against the FARC, the ELN and the AUC, and they are fighting them in ways that they have not been fought forever probably.

The hostages that the FARC have today were essentially dropped in their lap. The aircraft on its mission experienced engine trouble. The pilot, talking to us on the ground, talked and said he was going to try to glide to Florencia, which was the nearest airport. He did not quite make that. He made a wonderful landing in some incredible terrain, high mountain terrain. And, unfortunately, he landed at exactly—probably the worst spot he could have landed in, which was in directly where two FARC columns had come together to do an operation.

Colombian military responded very rapidly. They were in the air above the site within about 35 minutes. But the capture had already taken place. And two of our people—one Colombian, one United States citizen—were killed.

The escalation will be, in my opinion, if they continue to hold them for an extended period of time, or if they execute them and then the demands that they make on that will cause us to look at the situation in a different light. But until they do that—and we are not sure at this point what their motives will be in terms of kind of how long they will hold the hostages. I would defer that question.

What are we doing about it in terms of Southern Command and support of it? The Colombians immediately—very quickly put a large number of forces into the field to try to rescue the three American citizens. In order to help coordinate that effort, I sent my special operations Brigadier General Remo Butler into the area with—and he brought a small planning staff. And they are engaged with the Colombian units trying to affect the rescues and assisting them in terms of how to coordinate and do better training.

In that regard, the Colombians—about 2,000 of them in active search mode, five—and another 3,000 in support—have done a very good job, in my opinion, militarily, in trying to affect this rescue operation. I cannot go much more into it than that in open session. But I have been very pleased with their efforts in the support of this.

Dr. GINGREY. Thank you, General.

Mr. SAXTON. I believe Mr. Taylor has one final question.

Mr. TAYLOR. Well, thank you General, for sticking around. And General Hill, I guess our 12 o'clock meeting kind of went by the waysides—

General HILL. I think we are having it, Congressman.

Mr. TAYLOR. I think we are having it. [Laughter.]

In a book about the Russian experience in Afghanistan—I believe it was “Unholy Wars,” was the name of it—one of the many things that the Afghans successfully did was the supplying of drugs to the Russian troops to—in fact, at some point they mentioned that Russian troops were actually trading their weapons for drugs, knowing that those weapons would be used against either themselves or other Russians.

I would ask this about a year ago as to what steps we are taking to prevent a similar scenario from happening in a place where

opium is quite readily available, as far as drug testing of our troops at an increased rate?

And the second thing is, going back to our use—frequent use of contractors, and those contractors, in my estimation, often having the accessibility of pretty sensitive information.

How would you gentlemen feel about the extension of the drug testing requirements that now applies to all American military personnel, also extending to DOD contractors and their employees in situations like this?

Because I truly think, going back to that intelligence mission, you are counting on those guys to give you—to send your planes in the right place—what if they have been compromised?

Does that not just throw everything for a loop, and what if they have been compromised because of their drug use. And I will very sadly point to the horrible situation where I think our mil group commander, three of four ago, I believe has actually been convicted for smuggling drugs out of Colombia.

And I do not mean that as any dispersion to Colonel Higgins or Colonel Keane, but I think Colonel Higgins' predecessor was one, so it is not that far back in history.

General HILL. I think all of us in uniform have been concerned about drug use among our forces since the Vietnam era. That prompted your analysis and, in my opinion, your analysis is one of the saving graces of the military—one of the saving aspects of the military as we emerged out of Vietnam and began to rebuild the United States military.

It has been absolutely critical to the way that we have managed discipline within the force. I do not—I think the rules and regulations of all the services in terms of drug testing are very adequate to the mission that we have today, either in Colombia or Afghanistan or anywhere else.

My personal opinion on the contractor issue is that would be a good idea. I would not be opposed to that idea.

Mr. TAYLOR. How about DOD civilian employees?

General HILL. I would leave that up to DOD to determine that.

Mr. TAYLOR. General Holland, would you—

General HOLLAND. No, I would just take a, you know, Congressman Taylor, I think, you know, what you are getting at here is really a policy decision.

Mr. TAYLOR. It is a policy decision, hopefully with your input, going back to, one of—you quoted Article 1, Section 8 of the Constitution. We would like to have a policy that we think helps you.

I, personally, would think that policy would help you. It makes it a heck of a lot easier to make that policy if someone of your stature would endorse it.

General HOLLAND. And I think the words that General Hill used are exactly—would be my sentiments, as well.

Mr. TAYLOR. Which is, sir?

General HOLLAND. Which is that, obviously for DOD civilians, the DOD needs to come up with a policy, you know, for that, for contractors—especially if I, you know, Congressman Hayes and I have had some discussions on some people that providing contract air, and for those people providing contract air—for our people in Special Operations to either be inserted or dropped, or jump out of

their airplanes on a training mission, then I want—it would be good that we could ensure that these people are not under the influence.

So I think in those particular areas I think it very much applies.

General HILL. I think General Holland's point is, the distinction is well taken. In particular, sensitive positions—I think that that would be an appropriate aspect.

Mr. TAYLOR. Thank you, gentlemen.

Mr. SAXTON. You three gentlemen are a very popular trio. Mr. Hayes and Mr. Wilson would both like to ask a final question, if you have time.

Mr. Hayes.

Mr. HAYES. Just a comment that I failed to mention before. My wife Barbara and I were at Fort Bragg—the epicenter of the universe, home of Joint Special Operations Command (JSOC)—last week, and we had a—she started out with General McNeill's wife, met with spouses of deployed folks. And let me tell you, that group of ladies is on the ball, doing the job.

They are really—I mean, I cannot tell you how positive that meeting was. And we came away from there with some ideas of things we could do—force protection, as it relates to husbands and wives of deployed spouses.

And I want to criticize the press because of some of those folks will go after deployed people to find out where they are and find out whose spouses are home, and it creates a problem.

And I wanted to make sure that everybody was aware of that, and I know you are doing what you can to deal with it, and I want to make sure that our offices do, as well.

The other thing—and, again, I want to emphasize how great these ladies were, and we are going to do everything we can to help them. The other issue that truly bothered me—they had children in schools, young children, who were being heckled, badgered and harassed because their parents were in the military and wearing a uniform.

That is unacceptable, and that is just really disgraceful and disgusting, and we are going to move to see that we can do something about that. But, again, that is something that I wanted to report to you all in public, because these wives are making a tremendous contribution to our effort.

Thanks again.

Mr. SAXTON. Thank you.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And General Hill, I just want to thank you for your efforts in Colombia. I have been on the board of the Partners With The Americas Program in South Carolina.

We are associated with Southwest Colombia, and we have worked to bring exchange students to our community and we send exchange students. It has been a wonderful program, except it is now one way.

We have a student staying with us now from Cali, but it is not safe to send our students there. And so I want to thank you for your efforts and I know that one of my sons did have the oppor-

tunity several years ago to go to high school in Cali, and at that time it was a first world country.

And so what you are doing is so important, and I want to wish you well on everything that you are doing to stabilize the country and return it to a democratic system. Thank you.

Mr. SAXTON. Thank you, Mr. Wilson.

And gentlemen, thank you very much for your participation today. We appreciate your indulgence and we will see you all soon. Thank you.

General HILL. Thank you, sir.

General HOLLAND. Thank you, sir.

[Whereupon, at 12:58 p.m., the committee was adjourned.]

A P P E N D I X

MARCH 12, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 12, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Hearing on U.S. Special Operations Command, U.S. Southern Command and U.S. Joint Forces Command

Wednesday, March 12, 2003

Today, the committee begins its review of the state of our combatant commands. Our nine “Unified Combatant Commands” is “where the rubber meets the road” as they are charged with the responsibility for military operations in every region of the world and across the entire spectrum of conflict.

This morning, we will receive testimony on the posture of three of these commands – Special Operations Command, Southern Command and Joint Forces Command. This afternoon, we will continue with Pacific Command and US Forces Korea and tomorrow we will focus on Northern Command and Strategic Command.

It is a pleasure to welcome our witnesses this morning:

- General Charles R. Holland, USAF
Commander
U.S. Special Operations Command
- Gen. James T. Hill, USA
Commander
U.S. Southern Command
- Admiral E.P. Giambastiani, USN
Commander
U.S. Joint Forces Command

Gentlemen, I look forward to your testimony.

The combatant commanders who appear before us today face a wide range of changes and challenges. Last April, major changes were made to the Unified Command Plan, altering the missions and geographic responsibilities of many of our Combatant Commands. At the same time, the volatile political-military situation in the world provides urgent challenges in the areas of responsibility under the purview of each of the combatant commanders before us today.

As we heard during the testimony of the Secretary of Defense last month, this year's defense authorization request provides U.S. Special Operations Command expanded authority and an expanded budget to fight the Global War on Terrorism. General Holland, your forces have been on the forefront of the war on terrorism, and will be again should there be a conflict with Iraq. I look forward to hearing from you on your plans to use these increased resources to further SOCOM's mission.

In Southern Command, Colombia continues to be a major source of concern. The recent crash of an aircraft carrying Department of Defense contractors that resulted in the death of one American, one Colombian and the capture of three other Americans by FARC rebels remains of the utmost concern. I look forward to hearing from General Hill on our efforts to rescue those individuals as well as our on-going efforts in support of "Plan Colombia."

Finally, the changes to the Unified Command Plan last year continued the process of refining the mission of Joint Forces Command. With the transfer of its geographical responsibilities to other Unified Commands, JFCOM is now focused solely on transformation, joint experimentation and joint doctrine. Admiral Giambastiani, I look forward to your views on how these changes have affected your ability to accomplish your mission.

Let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

The entirety of our witnesses' prepared statements will be entered into the record.

General Holland, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, House Committee on Armed Services
Posture Hearing with Combatant Commanders of U.S. Special
Operations Command, Southern Command
and Joint Forces Command
March 12, 2003**

Thank you, Mr. Chairman. I join you in welcoming our witnesses—General Holland, General Hill, and Admiral Giambastiani. I thank each of you for joining us and for your continuing service.

This year, there were major changes made to the Unified Command Plan that realigned missions and geographical responsibilities. These changes are entirely appropriate given the new challenges the nation faces. I hope each of you will give us a sense of how these changes affected your command and what remains to be done.

General Holland, special operations forces have played a critical role in the global war on terrorism. In almost every country we read about, special operations forces are taking on a variety of missions and continue to be in great demand. I worry that your forces are being spread too thin by these increasing demands. I support the increase in money and personnel reflected in the Fiscal Year 2004 budget request for Special Operations Command. But I am concerned that your end-strength increase is coming from the overly-strained Army. Both sets of missions are critical to U.S. national interests. The most responsible solution, in my opinion, is to increase overall end-strength and not to cannibalize our existing force.

General Hill, as you know I remain concerned about U.S. military involvement in Colombia. Last year, Congress expanded the military's role from counter-drug to counter-terrorism support. Since that time, one U.S. government employee has been killed and three others kidnapped. I would appreciate your views about whether we are sinking deeper into that conflict. I would also like to understand how we will

define success in Colombia and how we will keep limits on the level of U.S. involvement.

Admiral Giambastiani, last year's changes to the Unified Command Plan had a great impact on the mission of Joint Forces Command. I hope you will explain to the committee the benefits of these changes in terms of our ability to fight as a joint force. It is important that we understand your plans for joint experimentation. History has taught us that joint warfighting is a powerful concept. The pending war in Iraq will almost certainly be conducted in a more joint fashion than the last Persian Gulf War. Joint experimentation holds the key to building on lessons we learn from joint warfare today, and I am confident your efforts in this area will provide future benefit to our military as we continue to be engaged globally in a range of missions.

Again, I thank all of you for being with us today and I look forward to your testimony. Thank you, Mr. Chairman.

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HOUSE COMMITTEE ON ARMED SERVICES

STATEMENT OF
GENERAL CHARLES R. HOLLAND, U.S. AIR FORCE
COMMANDER
UNITED STATES SPECIAL OPERATIONS COMMAND
BEFORE THE
HOUSE COMMITTEE ON ARMED SERVICES
ON THE STATE OF
SPECIAL OPERATIONS FORCES

MARCH 12, 2003

FOR OFFICIAL USE ONLY
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HOUSE COMMITTEE ON ARMED SERVICES

STATEMENT OF

STATEMENT OF
GENERAL CHARLES R. HOLLAND, U.S. AIR FORCE
COMMANDER
UNITED STATES SPECIAL OPERATIONS COMMAND

Mr. Chairman and distinguished Members of the Committee, it is an honor and privilege to report to you on the state of the United States Special Operations Command (USSOCOM) and special operations forces (SOF). I am pleased to report that SOF remain the most capable and ready force in the world today.

We have seen great change in our Nation as America takes action against terrorism. As you know, USSOCOM has been a key player in that response. I will report to you on how we are facing two critical challenges and provide an overview of our Fiscal Year 2004 (FY04) budget request. The two challenges addressed are fighting terrorism on a global scale and transformation.

Let me first address the war against terrorism on a global scale. USSOCOM has been at the forefront of this fight since initiation of combat operations following the September 11th attacks. Given the character of this war and the stakes involved, SOF is on the offensive. The aspect of today's international terrorist is far different than in the past, as terrorists now have global reach, infrastructure, and significant resources. The attacks on our Nation on September 11, 2001, clearly demonstrated that determined terrorists will go to any lengths to inflict catastrophic losses on Americans, regardless whether they are civilians or military personnel. Of greater importance is the fact that these terrorists have chemical, biological, nuclear, and high-yield explosive weapons and the desire to kill as many Americans as possible and undermine our Nation's interests and influence around the world.

SOF play a vital role in combating and defeating global terrorism, by disrupting terrorist organizations and bringing their members and supporters to justice ... or by taking justice directly to them. The mission of USSOCOM is expanding to planning direct combat missions against terrorist organizations around the world and executing those missions as the supported Command, while maintaining the role of force provider and supporter to the Geographic Combatant Commanders. To meet this challenge, USSOCOM must establish command and control infrastructures which complement the Geographic Combatant Commanders and invest in programs and systems improving SOF's speed, agility, precision, lethality, stealth, survivability, and sustainability. USSOCOM must also be forward-deployed for rapid response. The requirement to plan, synchronize, and execute operations on a global scale necessitate a globally capable SOF ready for full spectrum integrated operations.

Full spectrum integrated SOF are the refinements that must occur to tailor SOF capabilities for the war on terrorism. These SOF capabilities will ensure greater operational agility, flexibility and mobility, sufficient global command and control, focused intelligence, signature reduction, and a collaborative planning environment that facilitates simultaneous multi-echelon planning. Additionally, SOF capabilities must continue to address other national and military strategies, including homeland defense and forward deterrence, swiftly defeating the efforts of adversaries and decisively winning lesser contingencies.

All personnel of USSOCOM - Active duty, Reserve Component and civilians, are engaged in this multi-front global war on terrorism (GWOT). The battlefield successes in this campaign have proven again and again the foresight of Congress in the creation of USSOCOM. Our organizational flexibility and streamlined acquisition and resourcing authorities continue to allow unequalled response to the needs of our operators. The capability of

conducting joint operations is enhanced by synchronizing SOF, which include Army Special Operations Aviation, Special Forces, Rangers, Civil Affairs, and Psychological Operations forces; Air Force Special Operations Aviators and Special Tactics Squadrons; and Navy Sea, Air, and Land (SEAL), SEAL Delivery Vehicle Teams, and Special Boat Teams.

The continuing action in Afghanistan is a great example of how joint warfighting has evolved from the Goldwater-Nichols legislation as a powerful and precise tool to support our Nation's vital interests. Daily Civil Affairs teams and other SOF continue to play an active role in Afghanistan to ensure we win the peace. Our activities in Operation Enduring Freedom have given the world a much clearer insight into the skills, dedication, and power across the spectrum of America's SOF, specifically as part of a larger joint and interagency team - each bringing their specific skills and capabilities to the team. The ability to win across the spectrum of military operations requires seamless joint teamwork and USSOCOM is privileged to team with the Services to create the best warfighting capability the world has seen.

Our other opportunity is transformation. The hallmark of SOF is that they are always open to change and "out of the box" thinking. Transformation embodies our SOF core values ... integrity, courage, competence, and creativity. The success of change and transformation is the ability to maintain the goodness of the past, while taking calculated risks that promise competitive advantages on the battlefield for our future forces. We must change to ensure that we have maximized the ability of the human to think and problem solve, while taking advantage of the rapid pace of technology. Transformation is not about equipment, it is about a holistic approach producing sweeping advances for the individual, to the organization structure, to the appropriate application of technology to build the right capability at the right time to defeat any threat ensuring the safety of our Nation now and into the future. Transformation of SOF is a journey, not a

destination and there is no mark on the wall that will indicate we are finished transforming.

While SOF activities remain constant, the context of how and the manner in which they are executed has changed significantly. Traditionally, SOF were employed as a force multiplier to wage war against other nation states. Traditional warfare focused on the destruction of large massed armies, navies and air forces. Supporting intelligence communities developed capabilities to locate and track these large enemy combat elements. In traditional conflicts, the main effort was expended on the physical destruction of the enemy's military capability during large battles. USSOCOM is transforming intelligence and interagency capabilities not to locate and destroy large enemy combat elements, but to locate and track individual terrorists across the globe and conduct small surgical operations with minimal risk to the employed force.

In addition to the war on terrorism, our forces are still committed to the Geographic Combatant Commander's theater security cooperation plans. These include the European Command (EUCOM)-led campaign in Bosnia and Kosovo, the Pacific Command's (PACOM) support to combating terrorism in the Philippines and exercises with our allies in the Republic of Korea, Southern Command's (SOUTHCOM) narco-terrorism programs, providing crucial SOF for Central Command's (CENTCOM) combat operations including OPERATION ENDURING FREEDOM, as well as cooperative efforts with Joint Forces Command (JFCOM) and the newly established Northern Command (NORTHCOM).

STRATEGY

Our broad, yet unique, mission areas and capabilities allow us to make a number of important contributions to the National Security Strategy, especially in the War on Terrorism. Although SOF cannot address every crisis, we provide policymakers an expanded set of options for rapidly resolving strategic crises with relatively limited resources, fanfare, and

risk. Our ubiquitous presence as "Global Scouts" serves to assure our allies and friends of the United States' resolve. SOF's selective and integrated participation in support of Theater Security Cooperation Plans (TSCP) to include: Joint Combined Exchange Training (JCET), Humanitarian Demining (HD), Humanitarian Assistance (HA), Narco-Terrorism (NT), and Foreign Internal Defense (FID) programs which provide tangible benefits in support of war on terrorism objectives and Geographic Combatant Command strategies while building rapport with our friends and allies.

The global presence of SOF and our unique capabilities dissuade potential adversaries by disrupting their planning, while providing the President and Secretary of Defense a wider array of options for dealing with potential adversaries. Forces organized, trained, and equipped to execute the SOF principal missions of combating terrorism and counterproliferation of weapons of mass destruction also provide critical deterrence against adversaries that might contemplate producing or employing these weapons against the homeland or our friends and allies. SOF can deter threats and counter coercion through the deployment and employment of forces specially tailored to counter adversaries' capabilities through direct and surrogate means.

By operating "in the seam" between peace and war, SOF can address transnational and asymmetric threats through direct military means or concerted action with conventional military forces or other government agencies. SOF help shape the pre-conflict environment, setting the conditions so they are favorable to U.S. objectives and provide a strategic economy of force in areas of the world left uncovered by the commitment of conventional forces to other priorities.

EXPANDED ROLE OF USSOCOM

While our Nation is at war, we realize this war is unlike any other ever fought. It is a war without formal declaration, concrete resolution,

nation state boundaries, and against adversaries willing and able to strike directly against our homeland or our citizens abroad. It is a potentially interminable war in which our adversaries are likely to use weapons designed to cause catastrophic injury to our citizens and our way of life.

The nexus of the Department of Defense's global war on terrorism effort is at USSOCOM. Our strategy encompasses the entire spectrum of special operations missions, capabilities and methods; then incorporates conventional capabilities, as necessary, for mission success. USSOCOM's nine legislated activities remain relevant in determining our missions and activities in the fight against terrorism. To accomplish this, USSOCOM is employing SOF simultaneously worldwide through focused deployments to priority regions in order to prepare the battlespace, both physically and psychologically, and set the conditions for global war on terrorism operations. As the situation develops and terrorist targets are located, operations are conducted to further identify and acquire the target, followed by combat operations. The overall intent is to seize and maintain the initiative through constant pressure against known or suspected terrorist organizations and infrastructure.

As USSOCOM's role expands, this will generate changes in our manpower, organizational structure, facilities, equipment, and special programs relating to the expanded responsibilities. As we assess the specific changes needed to meet these expanded operational requirements, we will continue to collaborate with the other Combatant Commands and inter-agency partners that have key information operations (IO) supporting responsibilities in order to accomplish our changing mission in a responsible, coordinated manner.

COMMAND RELATIONSHIPS

Our headquarters organization and activities are changing dramatically to fight the war on terrorism. As the supported Commander for planning the Department's global war against terrorist organizations, USSOCOM will plan

and selectively execute combat missions against terrorists and terrorist organizations around the world. In order to most effectively enhance our ability to respond as both a Supported and Supporting Command, we are formulating the integration of our intelligence, operations and planning, and analysis divisions into a single facility. The effect will be a synergy of talent into a single entity which will significantly enhance and focus our unique war fighting capabilities.

Our planning efforts will focus on the development of recommended courses of action to the Secretary of Defense and the Chairman, Joint Chiefs of Staff. We are also developing the processes and organizations required to collaboratively draft, coordinate, and globally synchronize plans and operations. These forces could include any of our special operations forces or part of the Theater Special Operations Command (TSOC), but may also include conventional forces, as necessary.

During the execution phase, USSOCOM will conduct detailed planning and execute the approved courses of action using the TSOC or a Joint Task Force or Joint Special Operations Task Force as our operational and tactical coordinator. This is a significant and transformational change in strategic military command and control and will require a major adaptation of USSOCOM headquarters and the Geographic Combatant Commanders' TSOCs.

The Geographic Combatant Commander's area of responsibility in which the operation is to be executed supports our request for forces by providing operational control of the forward deployed forces necessary to execute the approved courses of action, in accordance with the Department's deployment order. USSOCOM will be prepared to conduct follow-on operations based upon exploitable intelligence and operational opportunity.

We have formed a collaborative planning environment through the Geographic Combatant Commands' staff and interagency liaisons. The collaborative planning identifies interagency requirements, issues planning

guidance as appropriate, reviews, validates, and submits plans with recommended delegation of command relationships for execution for Departmental approval. This command relationship recommendation may not always recommend USSOCOM as the supported command, but may in fact, recommend the Geographic Combatant Commander as the supported Command and USSOCOM will remain in its traditional role as supporting command. In that instance, during planning, the Geographic Combatant Commands' staff (designated as the supported command for execution) determines the forces, tactics, methods, procedures, and communications for employment. During execution, the Geographic Combatant Command's staff executes the approved courses of action, collaborates with USSOCOM, and provides post-operation assessments. The Geographic Combatant Command will be prepared to conduct follow-on operations based upon exploitable actionable intelligence and operational opportunity.

USSOCOM's traditional role of a "supporting" command; responsible for providing trained and equipped SOF to the Geographic Combatant Commanders is thus a "supported command for planning" and, when necessary, "supported command for execution" within the Geographic Combatant Commands' areas of responsibility. Under these circumstances -- supporting or supported for execution -- a flexible command relationship structure that exploits the command and control capabilities already present in the Geographic Combatant Commanders' staff. This will enable us to prosecute missions supporting the war on terrorism will allow USSOCOM to focus our energies.

TRANSITION AND SHARING OF SOF EMPLOYMENT TASKINGS

SOF are traditionally small, highly trained, specifically organized, and uniquely equipped to perform missions conventional forces are not trained, organized, or equipped to perform. To better focus our efforts in the war on terrorism, the Department and USSOCOM are conducting reviews of the SOF principal missions and collateral activities in order to identify the mission employment taskings currently performed by SOF that could be

transitioned or shared with our conventional force partners or other governmental agencies. Our measuring stick is those missions, tasks, and activities as they pertain to access, intelligence development, and operational preparation to prosecute combat operations in the war on terrorism. SOF routinely consider leveraging conventional forces and interagency partners to perform certain missions. However, if a mission task does not align directly or indirectly with the war on terrorism, or provide access to a significant area or objective, SOF have the ability to transition or load-share these tasks with conventional forces. Examples of this load-sharing are the Georgia Train and Equip missions and personal security detail for Afghanistan's President Karzai, which were transitioned to conventional forces or other government agencies -- seamlessly. Future SOF deployments should identify at the time of deployment a conventional force to be prepared to assume the mission taskings as they are identified and when the unique capabilities of SOF are no longer required, both operational and support. The transition of SOF employment taskings to a conventional force, while prioritizing and focusing all SOF deployments, in coordination with Geographic Combatant Commanders, is essential to our continued success in planning and executing the war on terrorism.

STRATEGIC CHALLENGES AND RISK

We know that current terrorist networks are linked with non-state actors with very different local strategies but mutually self-supporting goals. These nodes operate across international boundaries, spanning and circumventing current geographic constructs. The imprecise nature of terrorist goals and the ambiguous international environment have nullified traditional responses. This dangerous mix catapults the need for an extremely sophisticated joint, interagency, combined and coalition strategy to unparalleled levels, which currently challenge our Nation to unprecedented levels.

Global access is vital to the preservation of U.S. national security and SOF must have the ability to access and operate anywhere in the world, in any mission environment, from benign to hostile. SOF maintain access and an understanding of local issues through geographic orientation, cultural acuity, and continued forward presence and security cooperation. Although theater security cooperation events provide SOF access to most parts of the world, SOF must retain the ability to operate where U.S. forces may be unwelcomed or opposed through unconventional warfare methods. Potential adversaries are acquiring weapons and developing asymmetric capabilities to deny United States forces access to critical theaters of operations in a crisis. As first responders -- global scouts, pathfinders, and door openers -- SOF set the stage for follow on forces.

The risks facing USSOCOM include Operational Risk during preparation of the battlespace encompassing Force Management Risk, and Future Challenges Risk. Operational Risk is the ability of a force to achieve military objectives in a near-term conflict or other contingency. Force Management Risk is the ability to recruit, train, retain, and equip sufficient numbers of quality personnel and sustain the readiness of the force while accomplishing its many operational tasks. And, lastly, Future Challenges Risk, refers to the ability to invest in new capabilities and develop new operational concepts needed to dissuade or defeat mid- to long-term military challenges.

Like the Services, SOF have reduced operational risk by reallocating resources from its modernization and recapitalization accounts to fund current readiness. Nevertheless, SOF will require significant enhancements in capability, capacity and speed of response enhancements to meet all priorities. SOF may have to accept operational risk in some areas in order to build new operational capabilities. Some key issues associated with operational risk include: sizing the force to conduct effective operations,

optimizing basing to support strategic objectives, and improving SOF strike and mobility capabilities.

In many respects force management risk is the most critical problem facing SOF. The special operations community must retain its experienced and seasoned personnel to gain the significant return on investments made in the areas of assessment, selection, training, and education. For example, today's Green Beret is the only operational specialty that requires a foreign language for qualification - a critical skill that must be retained as we posture for future operations. Some key issues associated with force management risk include: retention of mid- and senior- grade personnel and growing the force to meet current as well as emerging operational requirements.

Dealing with future challenges will require force transformation - where these challenges can be overcome by using fundamentally different organizations, tactics, techniques and procedures than those used by today's forces. Some key issues associated with Future Challenge Risk include improving trans-regional information capabilities to support global operations; building a linguistically, culturally and ethnically diverse force; improving capabilities to operate for extended periods in anti-access environments; providing force protection in adverse environments; improving ground-directed fire support; and improving capabilities to operate in urban environments.

TRANSFORMATION AND REORGANIZATION

SOF must continue to operate effectively in joint, combined, and interagency environments while also fusing capabilities that reflect U.S. political, military, economic, intellectual, technical, and cultural strengths into a comprehensive approach to future challenges. USSOCOM, therefore, embraces the process of transformation in a disciplined manner that allows the command to move towards its goal of full-spectrum, integrated

SOF. Our use of full-spectrum, integrated SOF will allow us to tap into diverse areas, such as commercial information technologies, utilization of space, biomedicine, environmental science, organizational design and commercial research and development. All aspects of SOF – the organization, force structure, platforms, equipment, doctrine, tactics, techniques, procedures, and missions – must continuously transform to meet the needs of the nation and seize the opportunities manifested by change.

As we develop the tools to conduct our expanded mission in the fight against terrorism, we must transform our headquarters into one that includes the traditional train, organize, and equip mission with the capability to plan and execute the warfight against terrorism. Our component commands face this same challenge. Some areas already being addressed include the growth in our warfighting staff to build an organization oriented on the expanded mission of an operational headquarters without degrading the necessary work of our resourcing and acquisition headquarters. We have also developed a 24-hour joint operations center with the connectivity to work with the Geographic Combatant Commanders and the TSOCs and a Campaign Support Group from a myriad of commands and interagency partners. In the near future we will see these activities consolidated into a "state of the art" warfighting center.

The 21st century SOF warrior – selectively recruited and assessed, mature, superbly trained and led – will remain the key to success in special operations. These warriors must be capable of conducting strategic operations in all tactical environments – combining a warrior ethos with language proficiency, cultural awareness, political sensitivity, and the ability to maximize information age technology. We must also have the intellectual agility to conceptualize creative, yet useful, solutions to ambiguous problems, and provide a coherent set of choices to the Combatant Commands or Joint Force Commander.

People will always remain the most important component of SOF capability. However, future SOF will use technological advances more effectively. Technology improvements will allow commanders to track and communicate discretely with SOF in the field. Improvements in unmanned vehicle technologies will provide better precision fire, force protection, personnel recovery, and logistics support. SOF must develop new competencies and enhance existing ones in support of critical national requirements, including the ability to locate, tag, and track mobile targets and support trans-regional information operations.

USSOCOM is focused on providing the most accurate and complete intelligence support to our tactical commanders and deployed forces. We do this by leveraging national, theater, and Service intelligence resources with our SOF-peculiar systems and intelligence professionals.

USSOCOM continues to transform our PSYOP force structure and capabilities to improve our support to Geographic Combatant Commander's influence initiatives, and on-going military operations. Lessons learned from multiple contingency operations, including OPERATION ENDURING FREEDOM, identified a requirement to increase our PSYOP force structure to meet the demands of the Geographic Combatant Commanders. The Department of the Army agreed to crosswalk the necessary manpower in order to activate two additional Active Duty and four Reserve Geographic PSYOP Companies. To modernize our PSYOP force we are proposing an Advanced Concept Technology Demonstration (ACTD) that will explore emerging technologies to increase the dissemination range of our PSYOP products into denied areas and develop state of the art PSYOP analytical planning tools. We are also modernizing our PSYOP EC-130E COMMANDO SOLO television and radio broadcast aircraft by cross-decking the EC-130E into the newer EC-130J model.

We have also developed a new construct in joint warfighting with the fusion of a Marine Corps USSOCOM Detachment into one of our Naval Special

Warfare Squadrons. Naval Special Warfare Command (NSWC) continues to pioneer U.S. Navy warfighting capabilities to support special operations in the War on Terrorism. NSWC is the lead agent on the establishment of the SOF module on the Littoral Combat Ship (LCS) and evaluating SOF modifications for U.S. Navy rotary wing programs. In addition, NSWC's transformation efforts include unprecedented experimentation in the new SSGN conversion effort. Our Naval Special Warfare component is also collaborating with the Department of the Navy to pursue technologies and concepts to find, fix, and finish non-state threats such as the global War on Terrorism.

USSOCOM and the Marines have signed an agreement to establish the initial Marine Corps force contribution to SOF, which will jointly train and deploy with naval special warfare in the Spring of 2004.

Finally, and most important, the improvement of SOF training, education, and experience contributes to the development of SOF's capability. Doctrine, organization, and materiel factors have additive value to the force; leadership and personnel factors, however, exponentially multiply investments in doctrine, organization, and materiel. As training, education, and experience influence the quality and effectiveness of leadership, these variables have the greatest long-term effect on SOF capabilities. In order to maintain strategic flexibility and maximize the likelihood of operational success, SOF will increase their commitment to "train for certainty, educate for uncertainty."

USSOCOM's expanded mission and organizational changes constitute a new vector that will require a continual effort to refine our Transformation Roadmap based on this new azimuth. USSOCOM will be a hybrid of the Geographic Combatant Commanders and a specified command for Special Operations support. More than ever, our transformation is truly a process, not a destination.

BUDGET AND ACQUISITION

One of the strengths of the command, thanks to the wisdom of Congress, was the establishment of a separate Major Force Program (MFP), MFP-11, for SOF along with the requisite acquisition and research, development, test and evaluation (RDT&E) authority. It is a powerful tool that allows us, as you know, to quickly meet the soldier, sailor, or airman's equipment needs. This is accomplished by a world class acquisition center at Tampa, made up of folks who live by some very specific and exacting acquisition principles. Our fundamental acquisition strategy is to rapidly field the 80 percent solution while working with the warfighters and industry to continue to address the last 20 percent.

Our expanded role in the war on terrorism has resulted in expanded resources as the Department recognized the challenges confronting SOF and the Nation. Our FY04 budget request is \$6,735 million, 1.8 percent of the Department of Defense budget. A summary and some highlights of SOF's FY04 request is provided below.

Military Personnel

Today, the relative health of the special operations community remains strong. The long-term stabilization of our health depends upon continued efforts to ensure our people experience a quality of life commensurate with their hard work and their dedication to duty. Increased pay and allowances and special pays are crucial to the continued health of our community. It is imperative that we continue to improve military pay and allowances and fund the Reserve Component military pay for additional schools as well as training days necessary for Reserve Component SOF Military Personnel (MILPERS) requirements. Congressional support is a powerful signal to our deserving men and women and will have a tremendous impact on our future health and readiness.

The total SOF end strength for FY04 will grow to 49,848 manpower resources with about one-third of our military manpower in Reserve Component

units. Thanks to the Department's recognition of a need for more SOF, and the Services' cross-walking end strength to SOF, we will see an end strength increase of 3,869 over the next five years.

This end strength growth primarily supports the manning requirements to wage the global war on terrorism. The increases are focused on fixed and rotary-wing aviation, SEAL Teams, Civil Affairs (CA), PSYOP, TSOCs, and support to USSOCOM as the supported combatant commander in the war on terrorism. While USSOCOM budgets for SOF personnel, the Services execute the funds. For FY04 our MILPAY request totals \$2,210.8 million.

Operation and Maintenance (O&M)

Operation and Maintenance (O&M) is the heart of maintaining SOF operational readiness. O&M includes the day-to-day costs of SOF unit mission activities, such as civilian pay, travel, airlift, special operations-peculiar equipment, equipment maintenance, minor construction, fuel, consumable supplies, spares and repair parts for weapons and equipment, as well as the headquarters functions of USSOCOM and its Service components. Our FY04 O&M request is \$1,994.1 million. An additional \$12 million supports SOF from MFP-3 (command, control, communications and intelligence [C4I]) O&M funds.

Operating forces include the necessary resources for SOF tactical units and organizations, including costs directly associated with unit training, deployments, and participation in contingency operations. Resources support civilian and military manpower, SOF peculiar and support equipment, fielding of SOF equipment, routine operating expenses, and necessary facilities.

Procurement

Along with the authority to budget and program for SOF activities, USSOCOM also has the authority to develop and acquire Special Operations peculiar equipment to prepare SOF to carry out their assigned missions. This provides the warfighter with the tools necessary to fight not only the most

committed industrial age power, but also the means to fight entities that would and could wield influence through terror by any means. USSOCOM's FY04 Procurement request is \$1,978.3 million, an increase of over \$1 billion over the amount appropriated in FY03. Speaking of FY03, we would like to thank Congress for the procurement increases received - over \$137 million - including the transfer of funds from the Defense Emergency Response Fund.

The current state of SOF capabilities is strong, but to meet the evolving capabilities of potential adversaries, we must invest now to ensure reliable support for the Defense Strategy. USSOCOM's aim in pursuing technological transformation is to guarantee our forces remain relevant to any fight, and ensure we minimize risk to our Nation's vital interests.

To enhance our force projection capabilities, we must continue to invest in programs to improve strategic mobility, force protection, research and development, and information dominance.

Our Air Force Special Operations rotary-wing capabilities must remain safe, sustainable and relevant. We are working to ensure the airworthiness and defensive system capabilities of our MH-53 helicopters to allow them to fly in the threat environments they face on the battlefield.

The heart of our future rotary wing capability as we transform Air Force special operations to the CV-22 is the rotary-Wing upgrades and sustainment funding provided for critical improvements to our Army special operations aircraft. These aircraft must be capable of operating at extended ranges under adverse weather conditions to infiltrate, reinforce, and extract SOF. The FY04 budget provides ongoing survivability, reliability, maintainability, and operational upgrades as well as procurement and sustainment costs for fielded rotary wing aircraft and subsystems to include forward-basing of MH-47 helicopters. In FY04, the Department made a concerted effort to mitigate our most pressing problems associated with SOF low density/high demand rotary wing assets. In particular, the MH-47

inventory was increased by 16 aircraft in FY04 by diverting CH-47D aircraft from the Army's service life extension program (SLEP) production line to the SOF MH-47G production line to help alleviate USSOCOM's critical vertical lift shortfall due to battle damages. We are grateful to the Army for their support. The MH-60 fleet begins a major program in FY04 to extend its useful life, which will significantly upgrade our MH-60 fleet. Improvements to both fleets will enhance SOF's ability to conduct both medium and long range penetration into denied or sensitive areas. These programs will keep our Army rotary wing relevant well past 2020.

The command is committed to the CV-22 aircraft and its unique capabilities. We will continue to assure the CV-22 is safe, reliable, and maintainable for SOF forces. The long-range, high speed, vertical lift CV-22 fills a long-standing SOF mission requirement not met by any other existing fixed or rotary wing platform. The Navy is the lead Service for the joint V-22 program and is responsible for managing and funding the development of the baseline V-22, Osprey. The Air Force will procure and provide the fielding of 50 CV-22 aircraft and purchase service common support equipment for USSOCOM. Initial Operational Test and Evaluation will be conducted as soon as practical, after Developmental Test is complete. The support we have received from the Department for an additional test aircraft will significantly reduce the technical and schedule risk for this "flagship" program. USSOCOM will continue to fund the procurement of SOF peculiar systems for the CV-22 such as the terrain following/terrain avoidance radar, and electronic and infrared warfare suites.

The FY04 AC-130U Gunship program continues modification of four additional C-130H's into the gunship inventory. C-130 modification programs provide for numerous survivability and capability modifications to our C-130 fleet. The Department accelerated the MC-130H Combat Talon II aerial refueling modifications to FY04 because this capability is crucial to the war

on terrorism. In addition, the Air Force is providing USSOCOM 10 additional C-130Hs to convert to MC-130Hs. This increased capability will make up for attrition losses, enable SOF to forward-station additional rapid mobility assets, and allow us to assure our allies through increased forward presence. In FY04, we will continue programs including the Directed Infrared Counter Measure (DIRCM) Laser and several modifications to our COMMANDO SOLO fleet.

The Advanced SEAL Delivery System (ASDS) is a specially designed combatant submarine that will provide clandestine undersea mobility for SOF personnel and their mission support equipment. The ASDS is capable of operating in a wide range of threat environments and environmental extremes, providing increased range, payload, communications, loiter capability and protection of SOF personnel from the elements during transit. The ASDS provides a quantum leap in our undersea mobility capability. ASDS boat #1's Initial Operational Capability is planned for third-quarter, FY03. In FY04, program activities for the ASDS will continue to focus on procurement of long lead material items to support ASDS boat #2 fabrications and the development of technology improvements in the areas of sensors, cameras and communications. The ASDS is the only capability of its kind in the world.

In addition to the ASDS, USSOCOM remains committed to the Navy's SSGN program, converting four OHIO Class Ballistic Missile Submarines into dual role Strike/SOF platforms that will provide SOF with unprecedented worldwide access for both the ASDS and the SEAL Delivery Vehicle. The transformational changes incorporated into the SSGN will allow SOF to deploy a larger and more flexible force package than has ever been possible. Additionally, the command, control and communications capabilities designed into these platforms will permit SOF to operate independent from, or in conjunction with, any land or sea-based Joint Task Force.

Research, Development, Test and Evaluation (RDT&E)

We must continue to invest in making our SOF more capable in all environments. Our Research and Development (R&D) activities focus on exploiting technologies to improve SOF Command, Control, Communications, Computers, and Intelligence (C4I), mobility, weapons, and survivability. Our R&D program, while modest, is producing great capability enhancement products. USSOCOM's FY04 RDT&E request is \$440.4 million, as compared to \$512.5 million in FY03.

Two examples of capability enhancement products are our National Systems Support to SOF and our Advanced Tactical Laser (ATL) Advanced Concept Technology Demonstration programs.

The National Systems Support to SOF project is successfully integrating national intelligence systems capabilities into the SOF force structure. For example, the project is rapidly transitioning Blue Force Tracking equipment from development to operational use by SOF deployed in OPERATION ENDURING FREEDOM. These systems enable command and control elements, as well as combat search and rescue elements, to identify and track friendly forces. They also significantly increase our capability to execute surgical strike missions in the proximity of friendly forces by providing an effective means to distinguish between friendly and enemy forces.

The Advanced Tactical Laser (ATL) ACTD evaluates the military utility of a tactical directed energy weapon on the battlefield to provide support to the war fighter. A directed energy weapon has inherent performance capabilities that can support extremely precise and selectable strikes, effects and lethality, and multi-axis engagements. In FY04 program activities will focus on design completion of an objective ATL system, procurement of long lead material items, and begin the Military Utility Assessment (MUA) using ATL simulations and component hardware testing in conjunction with military exercises.

We are working on an array of improvements across our mission areas, including: improved body armor and chemical protection, advances in gunship armaments, developing and leveraging Information Operations (IO) tools. USSOCOM's primary success has always been ensuring we select the right people and train them for innovation: we equip the warrior, not man the equipment. We clearly recognize that the modern battlefield is comprised of land, air, sea, space and the virtual domains. IO has the potential to help SOF operators remain undetectable in hostile area -- a critical element in most SOF missions. We intend to actively pursue IO capabilities and develop standing authority to employ these capabilities when needed. This will improve SOF effectiveness and access to previously denied environments, and dissuade potential competitors from engaging even if they perceive quantitative advantage.

Some of our most successful development programs have or will make a real difference in the fight against terrorism. The Multi-Band Intra-Team Radio (MBITR) radio provides a small, lightweight, software reprogrammable handheld radio capable of providing both secure and clear voice and data communications over 100 selectable channels. Thanks to support from the Department and Congress, USSOCOM has been able to accelerate fielding of these radios to our forces.

Another program worthy of mention is the hemostatic bandage. The development and rapid fielding of the hemostatic dressing embodies the first of our SOF truths - that humans are more important than hardware. The family of hemostatic dressings, which include the fibrin and chitosen dressings, were not due for fielding until 2007, but with the heroic actions and ultimate sacrifices of SOF in Afghanistan, USSOCOM focused on accelerated fielding of these dressings. Thanks to the combined efforts of the Department, the Services, and other Combatant Commands, this revolutionary medical technology was catapulted from the research laboratory to the field

five years ahead of schedule. These dressings stop the bleeding almost effectively as surgical closure of a wound. We aim to put this technology into the hands of every soldier, hoping to end preventable hemorrhage on the battlefield.

Military Construction

USSOCOM's military construction efforts ensure our highly specialized SOF personnel and equipment are provided a modern array of SOF training, maintenance, operational, and command and control facilities to successfully execute SOF missions. USSOCOM relies on the Services to provide community support facilities and programs construction only for facilities directly contributing to SOF training, readiness and operational capabilities. USSOCOM's FY04 MILCON request is \$99.4 million for 12 projects.

CONCLUSION

Now and in the future, SOF continue to improve their ability to execute the war on terrorism, while remaining ready to deal equally with demands of both our warfighting and peacetime roles. SOF will be deliberate in its transformation to ensure continued support to critical national requirements.

But let us never forget those who have paid the last full measure. We want to acknowledge the 36 men and women killed in direct support of our Nation's response to terrorists since October 2001 and others lost or wounded in combat operations to ensure their skills were honed and ready for the next fight. We face adversaries who would destroy our way of life. In response, SOF will not rest until we have achieved victory in the war on terrorism.

Thank you for the opportunity to provide the state of SOF and for your continued support of our Soldiers, Sailors, Airmen, Marines, and civilians; the men and women of the United States Special Operations Command.

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UNTIL RELEASED BY THE HOUSE ARMED SERVICES COMMITTEE

POSTURE STATEMENT OF
GENERAL JAMES T. HILL, UNITED STATES ARMY
COMMANDER, UNITED STATES SOUTHERN COMMAND
BEFORE THE 108TH CONGRESS
HOUSE ARMED SERVICES COMMITTEE

13 MARCH 2003



OFFICIAL USE ONLY

UNTIL RELEASED BY THE HOUSE ARMED SERVICES COMMITTEE

Mr. Chairman. Representative Skelton. Members of the Committee, it is a pleasure to appear before you today to present the United States Southern Command's current posture statement. I am honored to have the opportunity to highlight the important contributions the men and women of our command are making to the War on Terrorism. These Soldiers, Sailors, Airmen, Marines, members of the Coast Guard, and our civilians are working in virtually every nation in the region to promote U.S. national security interests. Their work has done much to preserve stability and strengthen relationships with our allies.

Since taking command seven months ago, I have traveled extensively throughout the region and have witnessed the mounting challenges facing regional leaders and their people. The expectations derived from popular elections and free market reforms, seemingly so achievable at the close of the last century, are not being realized at the dawn of this one. Economic stagnation, endemic corruption, and unprecedented challenges to sovereignty by international terrorists, narcoterrorists, and drugs, arms, and human trafficking organizations threaten many of the hemisphere's fledgling democracies. Without sustained international support, some of these democracies could collapse, signaling the return of authoritarian regimes that respect neither human rights nor democratic principles. Today, I will outline the United States Southern Command's priorities in the hemisphere and the impact of what we do, or fail to do, on our own national security. The strategic importance of the hemisphere, the War on Terrorism, and our interests in Colombia remain central.

Importance of the Region

The nations of our hemisphere are largely at peace with each other and have foresworn the development of weapons of mass destruction. Indeed, the regional nuclear non-proliferation Treaty of Tlatelolco, is one of the most successful in history. Military spending on a per capita basis is lower in Latin America than anywhere else in the world. There are many cultural, economic, and political reasons to suggest that U.S. – Latin relationships should be increasingly important, yet world events keep U.S. security policy focused appropriately in other directions.

The region is the number one source of new Americans as more than 34 million residents in the U.S. are of Latin origin. Latin Americans are the largest and fastest growing minority group in the country and by 2050 are projected to comprise one quarter of the U.S. population. Their growing numbers are having a profound influence on our society and culture.

Our economic and strategic ties to Latin America and the Caribbean have never been stronger. The region provides over 31 percent of our imported oil, more than all Middle Eastern countries combined. The volatility of the Middle East makes the availability of oil supplies from Latin America and the Caribbean all the more critical. The U.S. conducts more than 360 billion dollars of annual trade with Latin America and the Caribbean, nearly as much as with the entire European Community. By the year 2010, trade with Latin America is expected to exceed that with the European Economic Community and Japan combined. This exchange translates into millions of American jobs and businesses linked to this region. As our recently negotiated Free Trade Agreement with Chile shows, these links will only grow as we progress toward the

president's vision of a Free Trade Agreement of the Americas. Latin America is also critical to the global environment as the Amazon Basin produces 20 percent of the world's freshwater runoff and 25 percent of the world's oxygen. Also, 25 percent of United States pharmaceuticals are derived from sources in this same area.

During the past twenty-five years, Latin American and Caribbean nations have emerged from limited democracies and dictatorial regimes to democracies governed by elected civilian leaders that have increased respect human rights and control their military forces. This transformation is in no small measure a result of Southern Command's ongoing engagement and security cooperation activities. Such activities now include military operations in support of the War on Terrorism; counterdrug operations; military training and exercises; and professionalization of the region's militaries emphasizing the role of the military in a democratic society, respect for human rights, and the protection of civil liberties.

The true test of a nation's democracy and military professionalism, however, is how well that nation endures crisis. Many Latin American and Caribbean nations are currently experiencing political, economic, and social crises, and never before have their militaries demonstrated such restraint and support for their elected civilian leadership.

While much is going right in the region, there still is much that is discouraging. Millions of Latin Americans remain mired in poverty, living in urban slums or neglected rural areas with crumbling infrastructure, inadequate sanitation, little access to proper health care, and perhaps most tragically, minimal educational opportunities for their children. Some telling statistics illustrate the magnitude of the economic crisis now facing the region. According to the United Nations Economic Commission on Latin

America and Caribbean (ECLAC), 214 million people in the region, 44 percent of the population, live below the poverty level. Seven million people were added to the ranks of the poor in 2002, and 20 percent of the region's population is unable to provide for even their most basic food needs. Developmental assistance and international investment are inhibited by the lack of security in the region. These figures illustrate in very real terms the enormous challenges faced by our democratic allies in the region.

In recent years, economic desperation and volatile social environments in the hemisphere have set the conditions for the proliferation of international terrorism, narcoterrorism, illegal drugs, and arms trafficking. This is the crux of my concern and my responsibility. Unless and until Latin American and Caribbean governments can provide both security and stability and a reasonable opportunity for positive change in the lives of their citizens, these activities will continue to fester and grow and the foundations of democracy could crumble under the weight of these transnational threats.

Threats

Terrorism in the Region

The War on Terrorism is our number one priority. The events of September 11, 2001 provided a cruel and graphic illustration of the evils of terrorists and their ability to attack at a time and place of their choosing. The recent El Nogal nightclub bombing in Bogotá, Colombia, in which at least 35 people were killed and 173 wounded is just one example of the incessant terrorist attacks in that country. Last year's bombing outside the U.S. Embassy in Peru by the Shining Path is an indication that terrorist groups in the region are deliberately targeting U.S. citizens and interests. Economic deprivation,

political instability, rampant corruption, drug trafficking, and paralyzed judicial systems are breeding grounds for terrorists and coupled with Latin America's proximity to the U.S. increase our vulnerability to attack from the southern approaches to our homeland.

To complement Homeland Security efforts and seal the seams through which terrorists infiltrate, we must take comprehensive measures in our region to combat international terrorism. To effectively prosecute the War on Terrorism, we must have the authority to use our assets and subordinate commands to assist partner nations interdict those illicit activities that support terrorists throughout our area of responsibility. To strengthen capabilities, build coalitions, and ensure our allies can effectively defeat terrorist activities within their borders, we must continue to provide partner nation security forces with equipment and continue to train with them in bilateral and multilateral exercises. Promoting security and effective border defense in every nation of our area of responsibility denies terrorists operating locations, support structures, freedom of movement, and the financial underpinnings from drug trafficking for their destructive activities.

International terrorists and narcoterrorists, fueled by drug and arms traffickers, menace our region. While the primary front in the War on Terrorism currently lies elsewhere, Southern Command plays an important supporting role. Radical Islamic Groups operating out of the region use the profits from drug, human, and arms trafficking, false documentation, and other illicit activities in our hemisphere to fund their worldwide operations. The narcoterrorist organizations operating primarily out of Colombia are spreading their reach throughout the region, wreaking havoc, and

destabilizing legitimate governments. It is these organizational networks that remain our focus.

Middle Eastern based terrorist groups to include Hamas, Hizballah and Islamiyya al Gammat have networks and support structures throughout the region. These cells, extending from South America through Central America and the Caribbean, consist not only of logistics and support personnel, but also of terrorists who have participated in attacks in the Middle East. Radical Islamic supporters have long gathered in areas such as the Tri-border region between Paraguay, Brazil, and Argentina, known for its deep links to a full range of transnational criminal activities. Similarly, we continue to be concerned by possible activities of radical Islamic groups on Margarita Island in Venezuela and Maicao, Colombia. Precise estimates of the amount of money diverted to from the region to radical Islamic groups are difficult to determine due to the illicit nature of the activity, however, the figures are likely in the hundreds of millions of dollars annually.

In the Tri-border area, a raid in the fall of 2001, on the business of a local Hizballah leader revealed terrorist training videos and audiotapes extolling the virtues of Jihad. He admitted having ties to businesses in Miami, New York, Chile, Brazil, and Paraguay – leaving open the question of his involvement in terrorist efforts to penetrate the United States or pass money to terrorist groups.

Last year, Paraguay arrested and tried several important Islamic radicals. Hizballah financial chief, Sohbi Fayad, was convicted on charges of tax evasion and local extremist, Ali Dahrough, is awaiting trial. Paraguay awaits the extradition of Hizballah Tri-border chief, Assad Barakat, from Brazil to face similar charges. These actions

against convicted and alleged terrorists, and those who support them, produce important disruptions of terrorists' networks.

Similar efforts are needed throughout the region to neutralize the Islamic radical structure while upholding the rights of law-abiding Muslims. Building coalitions, training, equipping forces, and improving capabilities will enable allies to significantly reduce their ungoverned spaces and gain greater control of their borders. These efforts produce skills, which are tested in U.S. sponsored multilateral exercises that promote security, improve effective border control, deny terrorists safe havens, and restrict their ability to operate.

Narcoterrorism is most pervasive in Colombia where citizens suffer daily from murder, bombings, kidnappings, and lawlessness. However, narcoterrorism is spreading increasingly throughout the region. Narcoterrorist groups are involved in kidnappings in Panama, Venezuela, Ecuador and Paraguay. They smuggle weapons and drugs in Brazil, Suriname, Guyana, Mexico, and Peru, are making inroads in Bolivia, and use the same routes and infrastructure for drugs, arms, illegal aliens and other illicit activities. The narcoterrorists are very well financed by their involvement in every aspect of drug cultivation and production, kidnapping, and extortion. These drug-fueled terrorist groups with their ideologically appealing names -- the Revolutionary Armed Forces of Colombia or FARC, the National Liberation Army or ELN, and the United Defense Forces or AUC -- directly attack the legitimate authority of the Colombian government. Ideology is no longer the moving force it once was for these organizations. Today, they are motivated by money, and power, and protecting, and sustaining themselves through drug trafficking and terror. The arrest last year in Houston, Texas of an AUC operative arranging an

exchange of \$25 million worth of drugs for arms is a clear indication of the symbiotic relationship among terrorists, drugs, and arms traffickers. The re-emergence of the Shining Path in Peru is being fueled by their involvement in the drug trade.

Narcoterrorism also negatively impacts the environment. Over four million hectares of rain forest have been destroyed in order to plant coca. Forty eight thousand metric tons of precursor chemicals used in coca production per year, are dumped into the environment. Terrorist pipeline attacks have spilled three million gallons of oil, the equivalent of twelve Exxon Valdez'.

Drug Trafficking

Underlying all of this is the illegal drug industry – a scourge that constantly threatens the sovereignty, stability, and rule of law in Latin America and the Caribbean. Drug traffickers generate violence, foster crime, fuel gangs, and corrupt public institutions. The Drug Enforcement Administration believes that a substantial number of foreign terrorist organizations are trafficking in large amounts of narcotics – six of these organizations are operating in this hemisphere. In addition to all three of the Colombian terrorist groups, the Shining Path, Jama'at Al Musilmeen, and Hizballah generate revenues through the drug trafficking business.

According to the Office of the National Drug Control Policy (ONDCP), over 19,000 Americans die annually from drug-induced causes. This constitutes, in my mind, a weapon of mass destruction. If we define national security as the safety and well being of our citizenry, illegal drugs must be considered a major national security concern.

Narcotrafficking not only threatens the security of the United States, but also the survival of democratic allies in the region through unabated violence, terror, and

corruption, while forcing these countries to devote precious resources to address these problems. Additionally, as traffickers exchange drugs for arms and services in the transit countries, transit nations become drug consumers as well. Brazil provides an illustration of how such an evolution can occur; it is now the second largest consumer of cocaine in the world behind the United States. While partner nations are willing to work with us to develop regional approaches to counter the production and trafficking of illegal drugs, effective and sustainable counterdrug operations severely test the capabilities of their thinly stretched security forces.

Arms Trafficking

A nearly unchecked flow of illegal arms throughout the region poses another serious threat to the security of several nations and exacerbates terrorist violence throughout the region. Many of these arms are leftover from the region's civil wars, while others are from former Soviet bloc countries or even purchased legally in the United States. They are then shipped through the region's porous borders destined to the terrorist organizations in Colombia or gangs elsewhere, often in exchange for drugs. Arms traffickers use a variety of land, maritime, and air routes that often mirror drug and human trafficking routes.

Regional Assessments

Andean Region

Colombians suffer daily from a level of violence and terror practically unimaginable to us. In this war-torn country, a decades-old conflict waged by narcoterrorists and fueled by illicit drug money continues unabated, claiming thousands of lives. More than 1.5 million Colombians have been displaced from their homes by

war, terror, and violence. Last year there were more terrorist attacks in Colombia -- an average of four per day -- than in all other nations of the world combined. Colombia has the highest homicide rate in the world. Last year more than 28,000 Colombians were murdered -- 13 times the U.S. rate -- making homicide the most likely cause of death. More than 2,900 Colombians were kidnapped, also the highest rate in the world. Violence has become so endemic that a Colombian company now specializes in bulletproof vests for children.

Many familiar with Colombia's conflict romantically describe the illegal groups as "revolutionaries," "guerrillas," or "rebels." These terms are inaccurate and out of date. The FARC, ELN, and AUC, directly challenge the legitimate authority of the Colombian Government, yet offer no alternative form of government. Simply put, these are narcoterrorists who profit at the expense of Colombia and its people.

All three of these groups target elected government officials and the civilian population with their brutal attacks. International human rights groups have publicly denounced the massacres, assassinations, political kidnappings, forced displacements, and forced recruitment of minors by all three groups. Human rights groups have also denounced the FARC's use of illegal weapons to attack protected sites and civilian institutions such as the May 2002 battle between the FARC and AUC, in which a FARC mortar fell attack on a church in Bojayá, killing more than 100 people, many of them children. The FARC's latest innovation of forcing kidnapped individuals to drive bomb-laden cars on suicide missions represents yet another step in the downward spiral toward the terrorists' total disregard for the sanctity of human life. Attempting to protect

Colombians from this lawlessness is a paralyzed judicial system in which 97 percent of crimes go unpunished and three million cases remain backlogged.

In the face of these enormous challenges, President Álvaro Uribe is vigorously proceeding with changes to reform the nation's political and legal systems, promote socio-economic development, protect human rights, provide help to displaced persons, enlarge and professionalize the security forces, and combat narcoterrorism. I have traveled to Colombia nine times and am impressed by President Uribe and his strong and principled team's determination to defeat the forces that are ripping his country apart.

President Uribe's initiatives are solidly supported by internal control and legislative measures designed to hold military members responsible for their own actions. Education and training initiatives, including human rights training implemented by the Colombian Ministry of Defense, have produced some of the best-trained and most professional military personnel in Colombia's history. Allegations of human rights violations by the military have dropped to less than two percent of all allegations, and today the Colombian military is one of the most respected organizations in the nation.

Colombia remains the world's leading producer of cocaine and accounts for 90 percent of the U.S. supply. Furthermore, we are seeing a surge in poppy cultivation and heroin production in Colombia. While Colombia's heroin production is a modest eight metric tons per year, virtually all of it is smuggled into the U.S.

Although it has the political will to fight drug traffickers, Ecuador remains a significant transshipment country for illicit drugs and is the country most vulnerable to spillover from Colombia. Economic limitations and security concerns hamper Ecuador's ability to strengthen border control operations. Ecuador is host to one of the Southern

Command's Forward Operating Locations (FOL) in Manta. The FOL has proven to be an effective launch site and critical element in our source zone counterdrug operations. This FOL provides coverage in the eastern Pacific where we have seen the greatest increase in drug smuggling activity. Runway improvement, construction of living quarters, and maintenance facility projects were completed in 2002. Continued infrastructure improvement will ensure the airfield meets U.S. operations and safety standards. Manta's substantial contributions to counterdrug efforts will become even more valuable with the resumption of the Air Bridge Denial Program in Colombia. The effectiveness of the Air Bridge Denial Program is unquestionable. The incorporation of additional safety measures will facilitate the resumption of this program, which will improve our ability to assist Colombia in its efforts to interdict the flow of illegal drugs.

Venezuela continues to deteriorate with its declining per capita income, financial crisis, increased instability, violence, and crime. Despite this political and societal crisis, the U.S.-Venezuelan military contacts continue with Venezuelan military students attending U.S. schools. We have a longstanding institutional relationship with the Venezuelan military and will continue to pursue common security concerns, as long as the military remains within its constitutional authority.

Caribbean

In the Caribbean the primary challenge comes from narcotrafficking and the corruption that accompanies it. With the exception of Haiti, democratic institutions remain relatively stable but the police and security forces are often overwhelmed or outgunned by the resources of drug traffickers and others engaging in illicit activity. The significant economic slowdown in the Caribbean provides a fertile environment for the

corruption of government and security personnel as well as the proliferation of drug trafficking and other illicit activities. To meet these challenges regional governments are attempting to focus on cooperative efforts such as the Regional Security System (RSS) and CARICOM. There is a growing understanding among Caribbean leaders that leveraging each other's limited resources is the only way to deal with the threats they face. Our efforts are focused on supporting these cooperative approaches.

Haiti stands out in the area of responsibility for its total political and economic paralysis. The government has refused to implement both the economic and political reforms essential for garnering vital support from the international community. Without fundamental changes in both the political and economic sphere, Haiti will continue to stagnate.

A key element of our efforts in the Caribbean is the uniquely focused Tradewinds exercise. Conducted annually, Tradewinds exercise objectives focus on combating transnational threats, counter drug operations, and disaster preparedness. This year's exercise will consist of two phases hosted respectively by Jamaica and Barbados.

Central America

We are at a unique point in time in Central America, with most of the region's political and military leaders dedicated to overcoming historical border differences and tensions in order to pursue regional economic and military integration. Southern Command has a long history of providing security cooperation to Central American nations with a regional focus on disaster response, humanitarian and civic assistance, demining, peacekeeping, and counterdrug operations. Arms trafficking, originating with arms left over from the civil wars of the 1980s not only threaten this region but flow

southward to Colombia. This region is also a primary avenue for illegal migrants and drugs entering the United States. Especially troublesome is the situation in Guatemala. The administration has proven to be an unreliable partner in countering drug trafficking and according to the Inter-American Commission on Human Rights, there were more than 100 attacks against human rights workers in Guatemala last year.

Central America is therefore key to our counterdrug and counter terrorist efforts, which include regional operations to strengthen capabilities and foster cooperation within nations of the region. We are working more closely with the Organization of Central American Armed Forces (CFAC) to promote military integration and cooperation in maintaining regional security. El Salvador provides Southern Command the use of Comalapa Airport as a Forward Operating Location for counterdrug coverage throughout Central America, the eastern Pacific, and the western Caribbean. Joint Task Force Bravo in Honduras continues to provide a logistical support base to the critical humanitarian missions of the region, as well as counterdrug operations through support of Central Skies exercises.

Southern Cone

Military to military engagement in the Southern Cone remains strong. Argentina remains in the grip of economic crisis. Recent estimates indicate that 19 million, or 53 percent of Argentines are living below the poverty line. In the midst of this crisis, the Argentine military remains a strong partner for the U.S. in the region and has carved out a useful role in U.N. peacekeeping operations and support for the War on Terrorism. Argentine military leaders strongly support democracy and the constitution and serve as a voice of restraint and respect for the democratic process. Southern Command continues

its military-to-military contact program with the Argentinean Armed Forces and expects this sustained cooperation will continue in the future.

Crime in Brazil, especially urban gang violence, remains a serious problem, and President "Lula" da Silva faces challenges from illicit drug and arms traffickers. Thus far, cooperation with the new Brazilian administration and the Brazilian military continues seamlessly.

Despite regional economic difficulties, Chile's economy remains on firm footing and offers appreciated stability in the Southern Cone. Transparency International rates Chile as one of the least corrupt nations in the world. The United States has recognized this by concluding a Free Trade Agreement with Chile, the first nation in the region after Mexico. We look forward to a growing and cooperative relationship with Chile and its armed forces.

War on Terrorism

As mentioned earlier, terrorists throughout the region bomb, murder, kidnap, traffic drugs, and smuggle arms among other illicit activities. Southern Command trains, equips and builds allied nation capabilities to confront terrorists, control borders, deny safe havens, and prevent terrorists from operating with impunity. Interagency cooperation, improving Colombian military capabilities, conducting detention operations, the use of expanded authority, and security cooperation are among the tools we employ. With the inextricable link between terrorists, drugs, and arms trafficking, counterdrug and arms interdiction operations are critical to our efforts. Joint Interagency Task Force – East (JIATF-E) is integral to our operations.

Inter Agency Cooperation

JlATF-East began as an interagency coordinator of maritime counterdrug operations in the transit zone. Today, after merging with JlATF-S, collocating in Key West, Florida, assuming responsibility for the source zone, and adding international members to their staff, JlATF-East provides planning assistance for counterdrug operations in response to U.S. country teams throughout the region. Transit zone operations may or may not involve U.S. forces, but our forces do participate in planning operations supported by the U.S.

Responding to Secretary Rumsfeld's guidance to participate in a Joint Interagency Coordination Group, Southern Command meets monthly to focus on the War on Terrorism with representatives from the Department of Treasury, Drug Enforcement Agency, Department of State, Department of Homeland Security, and Department of Defense. The Joint Interagency Coordination Group is also a venue for sharing intelligence and effectively coordinating our regional counterterrorism efforts.

Andean Counterdrug Initiative

The Andean Counterdrug Initiative, a complement to Plan Colombia, concentrates on the region rather than on Colombia alone. Success in Colombia could produce a spillover into neighboring countries that may not be prepared to deal with the consequences. These countries remain transshipment points for arms, drugs, and precursor chemicals entering and exiting Colombia. While success in Colombia is essential, we cannot risk winning the battle in Colombia and losing the war in the region. The Andean Counterdrug Initiative is intended to contain the effects of spillover and, to a lesser degree, sustain the success of Plan Colombia.

Improving Colombia's Military Capabilities

Southern Command assistance programs are intended to help Colombia develop the capabilities to solve their security problems and diminish the U.S. in-theatre role. Military training of Colombian units that are vetted for human rights abuses is key to realizing success on the battlefield. The training of the Counter Narcotics Brigade and the establishment and training of a Commando Battalion to pursue enemy leadership have already produced results.

U.S. Special Forces have also been training Colombian Armed Forces in Arauca as part of an infrastructure security strategy to protect a portion of the 772-kilometer pipeline and other critical infrastructure points, that have been frequent targets of terrorist attacks. This training will enable Colombia to protect remote narcoterrorist influenced areas of the countryside where the pipeline is located. The oil carried by the pipeline represents annual revenues of about 500 million dollars for the Colombian Government. The loss of this revenue seriously undermines Colombia's fiscal health and the attacks create considerable environmental and ecological damage.

Detention Operations

In addition to its work in Central and South America, Southern Command has directly and actively supported the War on Terrorism by establishing a terrorist detention and intelligence operations facility at Guantanamo Bay, Cuba, in January 2002. Intelligence operations at Guantanamo have provided critical information regarding terrorist organizations' leadership, planned attacks, potential attacks, and other specific information that has already thwarted terrorist activities. As Guantanamo operations

continue, we will improve intelligence exploitation, collection and dissemination, and establish more permanent facilities to provide Servicemembers a better quality of life.

We combined Joint Task Force 160 and 170 to form Joint Task Force Guantanamo, achieving unity of command and ensuring improved coordination between the intelligence collection mission and camp operations. Detainees continue to receive medical care, three meals daily that meet Muslim dietary laws, clothing, permanent shelter, showers, and humane treatment consistent with the provisions of the Geneva Convention.

Expanded Authority

The Supplemental Appropriations Act of 2002 and the Fiscal Year 2003 Defense Appropriations Act included provisions to use counterdrug assets for non-counterdrug missions within these respective years. The granting of expanded authority for operations was an important recognition that it is impossible to separate the drug threat from the threat to security and stability raised by terrorist organizations such as the FARC, ELN, and AUC. Operations are more efficient and effective because the same assets are used to confront terrorists as well as drug traffickers. We can now share more intelligence with Colombia, and they can use counterdrug-funded assets in the combined campaign against terrorists and drug production and trafficking. A great example of success as a result of expanded authority is the killing of the FARC's 15th Front Commander by the Colombian military utilizing U.S. provided UH-1 helicopters flown by Colombian pilots.

Security Cooperation

Southern Command's security cooperation activities expand United States influence, assure friends, and dissuade potential adversaries. The overarching goals are to promote regional security and stability through training, equipping, and developing allied security force capabilities that improve competence and professionalism while underscoring respect for human rights.

Command programs are also intended to strengthen respect for the rule of law, civilian control of the military, and support for democratic ideals. We do this not only because it is in tune with the highest values of the American people, but also because it is a strategic, operational, and tactical necessity. Security forces must enjoy the trust and confidence of their people before they can be effective. Only by respecting the law and the dignity of all the citizens they are sworn to defend, can security forces hope to gain the respect of those they protect.

We annually coordinate and direct more than 30 legal engagement activities among military counterparts, regional governments, and non-government organizations. Specific accomplishments include the creation of a legal corps, reform of military justice codes and procedures, human rights and law of war education, and the inclusion of military lawyers in the planning and execution of military operations. Nowhere are the positive results of these efforts more apparent than in Colombia where the people now hold their military in high esteem.

Complementing this training are disaster relief programs that teach militaries how to respond to their civilian authorities when disasters occur. Fuerzas Aliadas is the cornerstone of this program and will be hosted by Nicaragua this year. More than 20

nations will participate, including our regional partners, Canada, the United Kingdom, the Netherlands, and France.

Beyond disaster relief, New Horizons exercises provide unique and rigorous training opportunities to engineer, medical, and civil affairs units. These activities hone U.S. forces' engineering and medical skills in a challenging environment, under conditions nearly impossible to replicate in the U.S.

Last year the New Horizon exercises completed 33 engineer projects consisting of schools, medical clinics, wells, and rudimentary road construction and repair. The 59 humanitarian medical deployments treated more than 680,000 patients. During these deployments, our veterinary teams treated approximately 67,000 animals in varying livestock categories, which contributed significantly to sustaining local economic health. Bolivia, Panama, Belize, Dominican Republic, Grenada, and St. Kitts will host New Horizons exercises this year.

The annual naval exercise, UNITAS, is conducted throughout the region with significant participation by several countries. This year, Ecuador will host the UNITAS Pacific Phase. Argentina is scheduled to host UNITAS Cruise '04 Atlantic Phase in October. An amphibious bilateral exercise between the U.S. and Argentina is scheduled for September. Colombia, Ecuador, and Peru will each conduct a bi-lateral amphibious exercise with participating U.S. forces.

This year the Central American nations will host several exercises to include PEACEKEEPING OPERATION (PKO) NORTH that will focus on enhancing the peacekeeping skills and capabilities of the 22 participating nations. All the Central American countries and the majority of Caribbean nations will participate. We will also

conduct PKO SOUTH and Cabanas to strengthen the peacekeeping skills, cooperation, and capabilities of the rest of the region's military forces;

Requirements

As the War on Terrorism progresses we will increasingly pursue operations of mutual interest with goals that increase interoperability with our allies. We will pool our resources to the extent possible, but we foresee additional threats to U.S. security interests that may require additional resources or the reprioritization of programmed funds, if circumstances warrant. We anticipate Guantanamo's operating tempo to increase, additional stress on our theater communications architecture, an escalation of detection and monitoring activities, and a greater need for interoperability of allied nations that will require Foreign Military Financing programs and a renewal of the expanded authorities.

Joint Task Force - Guantanamo

Long-term operational requirements for JTF-Guantanamo detainee operations are necessary to enhance our effectiveness in the War on Terrorism, but as we continue to improve our mission capabilities there will be a cost associated with the progress. Since January 2002, Guantanamo has provided, and continues to provide, critical intelligence information on worldwide terrorist organizations' leadership, planned attacks, potential targets, and other critical information that can thwart subversive activities. We anticipate the arrival of additional detainees to be secured, screened, held, managed, and interrogated for both counterterrorist planning and law enforcement purposes. Manpower requirements will also increase to ensure a safe and secure facility.

Command, Control, Communications and Computers (C4)

My next priority deals with enhancing our C4 architecture for fixed and mobile operations throughout the region as outlined in previous testimonies. The current C4 infrastructure lacks the flexibility to execute the assigned mission due to over reliance on inadequate commercial communications systems, limited communications bandwidth, and fragmented operations and maintenance support. Consequently, Southern Command is unable to effectively and efficiently support a counterdrug mission simultaneously with another contingency operation such as anti-terrorism, noncombatant evacuation, migrant operations, disaster relief, or defense of the Panama Canal.

Since existing military systems alone are insufficient, it is my intention to transform, expand, and maintain a cost-effective, efficient, centrally managed, and robust infrastructure that supports the Theater Security Cooperation Strategy. This strategy includes counter-terrorism operations, regional engagement, crisis response, and counterdrug missions. We are partnering with the Defense Information Systems Agency and the Department of State's Diplomatic Telecommunications Service Program Office to explore commercial alternatives such as fiber optic communication links. This effort shows promise for improving C4 effectiveness throughout the region.

Detection and Monitoring

We conduct varied and diverse detection and monitoring (D&M) operations that require a high state of readiness and a joint effort to link multi-intelligence collectors targeted against strategic, operational, and tactical requirements. This melding of organic and national collection resources will improve operations and fulfill the Quarterly

Defense Review Transformation requirement for continuous and persistent Intelligence, Surveillance and Reconnaissance (ISR).

Southern Command's role in Operation ENDURING FREEDOM includes the employment of national, airborne, ground, and maritime ISR assets that are targeted against regional terrorist groups and transnational support cells. Their combined products create a common operating picture of regional activity that can be shared with our allies as appropriate. Successful D&M operations contribute to allied nations' defenses against terrorism and promote regional security cooperation.

Detection and monitoring has eight major programs that are vital to our counterdrug campaign plan. These programs include Relocatable Over the Horizon Radar (ROTHR), Fleet Support Operations, Maritime Patrol Aircraft (MPA), FOLs, JIATF-East, Joint Surveillance and Reconnaissance Operations Center (JSSROC), Hemispheric Radar System (HRS), and South Air Force Support. These programs, when sufficiently funded, will provide a formidable capability to detect and monitor illicit trafficking of arms, drugs and other illegal activities that fuel terrorist groups. Overall, this capability further provides critical information used by the U.S. and host nations to effectively counter the expansion of narcoterrorism.

Foreign Military Financing (FMF)

Foreign Military Financing fosters cooperative security arrangements, and regional initiatives rely on partner nation participation. Many nations rely, in turn, on FMF to sustain the kind of readiness that effective partnering requires. Latin American and Caribbean militaries still have legitimate defense sustainment and modernization requirements. As we request more partner nation assistance in fighting terrorism and

transnational threats, FMF will be an important source of their equipping and training efforts. Regional militaries require force modernization to be interoperable. Without FMF support and adequate national funding, training, and maintenance, equipment in Latin American forces continues to deteriorate, which degrades allied military readiness, increases the cost of U.S. participation, reduces the capability of our hemispheric partners in the War on Terrorism, and makes military responses to natural disasters and humanitarian relief more difficult.

Expanded Authority

As previously mentioned, operations today are more efficient and effective because the same assets are used to confront both drug traffickers and terrorists, thanks to the expanded authority. The authority also permits greater intelligence sharing and allows allied nations to use U.S. counterdrug funded equipment for non-counterdrug missions. Expanded Authority is essential to the command's ability to deal with both narcotraffickers and terrorists. The authorities granted in Fiscal Year 02 and Fiscal Year 03 were one-year programs confined to Colombia. Because of the successes we have experienced in both intelligence sharing and improving operations, we are requesting Expanded Authority for the entire area of responsibility in Fiscal Year 04.

Conclusion

Without question, democracy has gained a foothold in Latin America. The question is how long will it prevail? Until ordinary citizens benefit from free market reforms and reduced corruption and until terrorists can no longer operate with relative impunity, that question will linger. For most nations in our area of responsibility, the threats come from within. It will be up to those nations to demonstrate their ability to

government: to provide law and order, implement judicial reform, and develop a profound respect for human rights. These fundamentals provide the stable and secure environment necessary for economic growth – growth that will improve the quality of life for ordinary citizens. Southern Command will play a crucial role in developing the kinds of security forces that help provide the ability to govern throughout the region, and particularly in Colombia.

We are at a critical time in Colombia's history. The elected government of President Uribe enjoys unparalleled approval ratings of about 70 percent. Under his leadership, the Army is helping to regain control of urban neighborhoods long since held by narcoterrorists. Colombia's citizens are taking a more active role in their nation's defense, providing actionable intelligence to the Colombian Armed Forces. President Uribe has raised taxes to provide greater resources to his nation's security forces. There is a renewed sense of momentum, commitment, and hope as the Colombian people struggle to save their country, but there is also a small window of opportunity beyond which public opinion and support will wane without significant progress.

I would like to close by leaving the committee with this thought. I am proud to say we do a great deal to further our nation's interests in this hemisphere with very few resources and a modest presence. Beyond Colombia, we are at a critical point where the progress in eliminating conflict, reducing tension, and establishing democracy throughout the region could be at risk if we are not steadfast in our efforts. While our attention is drawn to another region of the world, we must keep in mind that we live in this hemisphere, and its continued progress as a region of democracy and prosperity is of paramount importance to our national security.

I would like to thank the Chairman and the Members of the committee for this great opportunity and for the tremendous support you have provided this command. I can assure you that the men and women of the United States Southern Command appreciate all that you do for them as they perform their noble work for our great country.

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UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF
ADMIRAL EDMUND P. GIAMBASTIANI, Jr.
COMMANDER
UNITED STATES JOINT FORCES COMMAND

BEFORE THE CONGRESS
BEFORE THE HOUSE ARMED SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

12 MARCH 2003

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UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman, distinguished Members of the Committee, I am honored to testify for the first time as Commander of U.S. Joint Forces Command on our role in the Global War on Terrorism and the ongoing process of transforming our Armed Forces.

Let me open by assuring the Committee that U.S. Joint Forces Command is focused every day on winning the Global War on Terrorism (GWOT), including the successful defense of the homeland, and leading the transformation of the U.S. Armed Forces.

Joint Forces Command is a dynamic command that learns from and works with our partners throughout the Department of Defense to lead continuous evolutionary and revolutionary improvements in U.S. warfighting capabilities to enable continued success, including rapid, decisive military action. As such, I see U.S. Joint Forces Command maximizing the Nation's future and present military capabilities by advancing joint concept development and experimentation, identifying joint requirements, ensuring interoperability, conducting joint training, and providing ready forces and capabilities – all in support of the Combatant Commands.

This focus follows directly from the President's transformation agenda as outlined in his Unified Command Plan 2002, or "UCP 02" that took effect 1 October 2002, and the Secretary of Defense's top three priorities:

1. Successfully pursue the Global War on Terrorism
2. Strengthen Joint Warfare Capabilities
3. Transform the Joint Force

As you know, U.S. Joint Forces Command is the primary force provider to our country's other Combatant Commanders worldwide. With over 1.1 million Soldiers, Sailors, Airmen, and Marines—some 83% of the Nation's general-purpose forces—I allocate a significant part of each

day managing the deployment of joint forces from our service components in support of the Global War on Terrorism. Forces assigned to Joint Forces Command's comprise some 74% percent of the forces engaged in operations in Afghanistan, 52% percent of the forces building in the Persian Gulf Region, and 90% percent of the nation's forces deployed world wide in support of the War on Terrorism, including here at home

Joint Forces Command's role in joint training has been instrumental in honing the joint command and control architecture now prosecuting the war on terror. In the last eight months alone, Joint Forces Command has trained and deployed four Joint Task Forces, now commanding joint and multinational forces in Afghanistan, the Horn of Africa, and Guantanamo Bay, Cuba, and Southwest Asia. On any given day, moreover, some 100-plus observer/trainers and senior mentors from this command are deployed to support the joint training programs of the Combatant Commanders in their areas of responsibility around the globe. Similarly, every Joint Special Operations Task Force has received training, and, in some cases, augmentation by the experts from Joint Forces Command's Special Operations Command.

Our training capabilities have a global reach and our processes focus on the needs of the joint warfighter. The world class Joint Warfighting Center in Suffolk, Virginia, for instance, has already organized and executed two major exercise rehearsals for U.S. Central Command and a force flow and logistics rehearsal for U.S. European Command in preparation for potential operations against Iraq. In the case of Central Command's event, known as INTERNAL LOOK and conducted in December 2002, we actually were able to quickly develop a follow-on exercise only two months later at the request of General Franks and his ground Component Commander, called LUCKY WARRIOR, to specifically refine operational concerns discovered by INTERNAL LOOK.

Joint Forces Command's concept development and experimentation initiatives have had an immediate and positive impact on the Global War on Terrorism. Outcomes, systems, procedures, organization and experience during Millennium Challenge 02 (MC02), last summer's Congressionally mandated joint field experiment, are making a difference today. The Services and Regional Combatant Commands are applying the training, initiatives gained during MC02 and are exploiting their own, and selected joint concepts and capabilities validated by the experiment.

The Army's XVIII Airborne Corps is using MC02 lessons, software and processes today as part of Combined Joint Task Force (CJTF) 180's operations in Afghanistan; the Air Force's use of software tools and procedures in Afghanistan and at Prince Sultan Air Base; and the Navy's use of MC02 concepts, software and processes to improve training for deploying naval forces.

Command authority over my Service Component Commands has been vital to understanding and responding quickly to the training and readiness needs of the warfighter. This command has trained or assisted in training every JTF deployed overseas, establishing joint standards across the force. We have also worked closely with the Component Commanders to review, update and streamline the force flow procedures for units deploying from the Continental U.S.

U.S. Joint Forces Command has simultaneously launched a comprehensive concept development and experimentation campaign to deliver capable joint forces that can operate coherently in a Knowledge-centric environment, enabled by Network-centric systems and trained to conduct Effects-based operations. Our campaign plan specifically aims to achieve these goals through close partnerships with the Combatant Commands, Services and Defense Agencies by

conducting our collective experimentation activities using a “common joint context” that defines the challenges of the future warfight. Conducting our experiments within a common understanding of the future warfight allows the joint community to determine future joint requirements in a collective way—*before* the acquisition of service capabilities. This process produces a shared understanding of the future joint environment that produces coherently joint capabilities that we describe as “born joint”.

This spring Joint Forces Command will achieve a significant milestone in our campaign to expand the experimental ground by co-sponsoring a U.S. Army/Joint Transformation Wargame called UNIFIED QUEST '03. Our intention is to embed within the Transformation wargame a common set of scenarios and a joint context that defines the operational level of war to determine how well emergent Army capabilities might actually work within a future joint and multinational environment. Plans are also underway to establish the similar partnerships for other upcoming Service wargames later this year and in follow-on years.

In this important area, Joint Forces Command has matured its processes and products to the point where the “joint horse” is getting in front of the “service cart.”

In the near term, we have already begun implementing new warfighting capabilities and operational methods gained from Millennium Challenge '02. Foremost among these is the implementation into the Regional Combatant Commands (RCC) of the Standing Joint Forces Headquarters prototype, or “SJFHQ”. The SJFHQ is comprised of a small but powerfully enabled team of planners specifically trained to speed the operational employment of a larger joint task force headquarters with real-time, actionable and shared knowledge crucial to the conduct of rapid and decisive operations. This shared understanding produces what we call the Collaborative Information Environment, or “CIE,” that, in our judgment, may very well change

the conduct of future warfare. This prototype was immediately adopted by Central Command and is being implemented today in Pacific Command, European Command, Southern Command and Northern Command, with the target date of FY05 for the SJFHQ to be fully operational.

Undergirding the implementation of these new operational concepts is a powerful training environment known as a Joint National Training Capability, or "JNTC". The JNTC is being designed in part to train Service units to operate as integrated joint forces anywhere around the world. Our aim is to turn the existing training and exercise environment into an integrating environment for new warfighting capabilities and methods. This will allow the rapid fielding of prototypes so that operators can test and improve them. We believe that the JNTC will not only transform the way our armed forces will train in the future but also speed the implementation of new capabilities and methods springing from our collective Service Joint Forces Command experimentation programs. In my view, the Joint National Training Capability will drive "jointness" down to the lowest tactical level.

Here again, the command authority that I maintain over my Service Component Commands has proven critical to the alignment of our training and experimentation campaign with the operational requirements of the force. The command relationship to the Component Commands anchors our transformation efforts to the joint warfighter—our ultimate customer.

Just as important, this command has formed collaborative partnerships in the experimentation campaign with other federal Departments and Agencies. The Departments of State, Treasury, Justice and Transportation, for example, have participated in our experiments to determine new information sharing processes and techniques included in the "Joint Interagency Coordination Group" concept. The Combatant Commanders have all taken this concept aboard and are establishing similar organizations within their headquarters with the focus of supporting

the global war on terrorism. Though more experimentation and training is required to standardize and expand the concept to incorporate processes for theater engagement planning, deliberate and crisis action planning, and transition (to peace) planning, the “JIACG” capability will prove instrumental in leveraging all aspects of our national power and influence in a more coherent, unified way.

Likewise, we are expanding the experimental agenda with key multinational partners to focus on concepts that allows for timely coalition information sharing. Just last month, we conducted a worldwide, distributed, multinational Limited Objective Experiment (LOE) that included senior representatives from Australia, Canada, the United Kingdom and Germany. While the results are still being assessed, initial insights have identified the policy challenges that must be overcome to build a coalition equivalent of a Collaborative Information Environment.

Joint Forces Command is also deeply engaged in the transition plans of Allied Command Atlantic (ACLANT) as it becomes a NATO functional command focused on transformation to be known as Allied Command Transformation (ACT). Our NATO partners are closely monitoring our transformation campaign. We will seek to learn together as the Alliance, as a whole, dedicates itself to military transformation.

In partnership with the Combatant Commanders, Service Chiefs and senior Defense officials, this command is helping to promote the beginnings of a new culture of joint transformation. This culture rewards intelligent risk taking and supports competition of joint ideas in open venues. Our culture must reward those who question in order to make things better; who seek differing perspectives and innovative approaches and who are not paralyzed by the fear of failure. This culture understands that Combatant Commanders do not really care where a particular capability comes from so long as it is relevant to their warfighting needs, is

interoperable across the force and which works. In all of my troop visits with our young warriors, I found that they “get it.” Innovation and “jointness” are important and intuitive for them. The dynamic of this new culture goes virtually unnoticed and receives no fanfare and yet is chiefly responsible for providing the momentum towards joint transformation. In short, the *real* transformation is taking root within the minds of those participating in the change process. This is the culture of transformation that Congress help put in motion 17 years ago with the watershed Goldwater-Nichols Defense Act.

Lastly, like the military as a whole, Joint Forces Command has transformed itself to serve as the nation’s agent for transformation even as we have been deeply involved in supporting operations around the world. The divestiture of our geographic area of responsibility has enabled this Command to focus on our new area of responsibility: *the future*. With your help, we are receiving the resources and authority to carry out our new mission and are now helping to deliver:

- Trained and ready joint forces to the Regional Combatant Commanders
- Coherently-joint capabilities and operational methods to the joint warfighter of today
- A common joint context to Service experimentation programs that will lead to new “born joint” capabilities of tomorrow
- The first steps in alignment of Joint Battle Management Command and Control programs across the Department of Defense
- Integration of Interagency and Multinational capabilities into the change process
- And the beginnings of a new culture of joint transformation

What follows is a detailed overview of our successes and additional requirements to complete our mission.

The Global War on Terrorism

The attacks of 11 September 2001 put this Command on a wartime footing. Since that day, all elements of this Command, including active, Reserve, National Guard, Civil Service, and contract employees are involved in this two-front war—at home and abroad. There can be no more important mission than fighting terrorism overseas and simultaneously securing the homeland. This Command has directly supported our nation's offensive operations overseas while our homeland security through four major endeavors:

1. Joint Force Provider
2. Joint Force Trainer
3. Joint Force Integrator
4. Joint Force Experimenter

Joint Provider and Trainer

In the last year, Joint Forces Command has supported the war on terror with an aggressive training program that both improved our joint readiness of the force while setting the conditions for joint transformation. Specifically, this command trained and deployed Joint Task Forces such as: JTF 160 to Guantanamo Bay, Cuba; JTF 180 to Afghanistan and JTF HOA to the Horn of Africa. Additionally we have recently stood up Task Force IV for U.S. Central Command (CENTCOM) and trained the Southern European Task Force for U.S. European Command (EUCOM). Our observer/trainers have helped train the Commander, III Marine Expeditionary (CDR III MEF) for U.S. Pacific Command (PACOM) and Commander, Joint Task Force-Civil Support (CDR JTF-CS) for U.S. Southern Command (SOUTHCOM). In total, some 3018 individuals from the Combatant Commands were trained to joint operational

standards in the last year and over 786 man-years were dedicated to the training events supported by Joint Forces Command.

Overseas, troops from all Joint Forces Command components are actively involved in support of operations in Afghanistan, preparing for possible conflict in the Persian Gulf region, and supporting operations worldwide. Forces from JFCOM comprise some 53% of the forces supporting U.S. Central Command in Southwest and Central Asia. This force commitment has doubled our normal overseas force rotation and does not include the substantial obligation of active and Reserve forces to homeland security, force protection and infrastructure protection.

Additionally, other key elements of Joint Forces Command, such as the Cruise Missile Support Activity, Joint Personnel Recovery Agency, the Joint Communication Support Element (JCSE), and the Joint Warfare Analysis Center are providing critical support to the Global War on Terrorism in general and Operation ENDURING FREEDOM in particular.

Joint Integrator

To accelerate the Joint Interoperability and Integration of Service-provided warfighting capabilities, our Joint Interoperability and Integration (JI&I) office continues deliver materiel and non-materiel solutions to interoperability challenges by working closely with all Combatant Commanders, Services and Agencies to identify and resolve joint warfighting deficiencies.

Joint Forces Command 's JI&I efforts support current military operations by fielding:

- Interoperable capabilities between US Army and US Marine Corps ground commander Command and Control elements
- Collaborative planning capabilities for the Combatant Commanders
- Improvements to Joint Task Force information assurance and information management
- Adaptive mission planning and rehearsal capabilities for the Combatant Commanders

Additional efforts that directly support the commanders of Northern, Central, Pacific and Special Operations Commands in the near future include fielding capabilities for:

- Capabilities for Joint Task Force (JTF) situational awareness, a Common Operational Picture (COP), and enhanced integration of the Joint Deployment
- Capabilities for integrated joint targeting, and intelligence analysis
- Capabilities for integration of Distributed Common Ground System multi-intelligence sources
- Capabilities for integrated Joint Intelligence, Surveillance, and reconnaissance (ISR)

Joint Experimentation

As noted earlier, Millennium Challenge '02 (MC02) concepts are making a difference in the Global War on Terrorism as demonstrated by CJTF180 operations in Afghanistan.

CJTF180's implementation of MC02 concepts and capabilities in Operation ENDURING FREEDOM illustrates the power of joint experimentation and joint training in general and MC02 in particular. XVIII Airborne Corps' exploitation of MC02 concepts and training were important factors in their success in Afghanistan. USJFCOM-developed concepts that are being applied in the war on terror listed below provide a sense not only of their operational utility but also the impact Joint Experimentation is having on today's force:

- Effects-Based Operations (EBO). CJTF180 use of EBO processes affords operational benefit.
- Operational Net Assessment (ONA). To support its effects-based operations, CJTF180 used an ONA-like process to view the enemy as an interconnected system of systems.
- Collaborative Information Environment. CJTF180 utilizes a CIE based on MC02 processes, within the CJTF Headquarters and their functional components.
- Standing Joint Force Headquarters (SJFHQ). CJTF180 is exploiting SJFHQ tools and procedures and is implementing cellular reorganization initiatives to improve coordination and effectiveness.

Joint experimentation is a proving ground for important technological capabilities to support combatant command interoperability needs. Joint initiatives demonstrated in MC02 generated the following Transformation Change Package (TCP) recommendations:

- Adoption of software to support the Joint Fires Initiative (JFI)
- Implementation of the Joint En route Mission Planning and Rehearsal System-Near Term (JEMPRS-NT)
- Fielding the Network Security Management Correlation and Display System (NSM C&D)
- Supporting the identification, certification and fielding of automated tools to facilitate information transfer among information systems operating at various levels of security, e.g. the Joint Automated Single Guard Solution (JASGS) and Inter-Domain Transfer System (ITS)
- Fielding the technologies identified in the Automated Network Information Flow (ANIF) project
- Continuing development of Unmanned Aerial Vehicle (UAV) Interoperability

Joint concept development and experimentation findings are also being integrated with Advanced Concept Technology Demonstrations (ACTD) programs to provide a path to accelerate near-term joint warfighter solutions. For instance, promising solutions to pressing warfighter needs sponsored in fiscal year 2002 by the Under Secretary of Defense (Acquisition, Technology, and Logistics) included:

- Content Based Information Security (CBIS) ACTD - sharing information across multiple security domains using cryptographic separation and dynamic access control.
- Area Cruise Missile Defense (ACMD) ACTD - improved detection, identification, and engagement capability against low altitude targets that may go undetected by the existing Joint Surveillance System.

Lastly, fundamental to the success of the DOD transformation effort is collaboration and the partnership with the activities of the wider transformation communities from joint, interagency and multinational organizations. MC02 provided a highly successful platform to establish close partnerships with these communities as well as with industry and academe.

Strengthen Joint Warfare Capabilities

Joint Provider and Trainer

The establishment of a Joint National Training Capability (JNTC) is perhaps one of the most important transformation programs that the Department of Defense and Joint Forces Command are developing. The goal of establishing a Joint National Training Capability is to improve the ability of U.S. forces to fight effectively as a joint and combined team. Such improvement requires new capabilities to augment our existing joint training capabilities. While Service training centers have excelled at training Service tactical competencies, joint training requires a more holistic endeavor at the operational level of war. In its simplest terms, the Joint National Training Capability envisions a global system to bring the benefits of live, virtual, and constructive opportunities to the user. To this end, we must create a network that is easily accessible, readily available and capable of supporting the wide spectrum of joint tasks. This network must provide an integrated, common architecture for ranges, training centers, experimentation venues, test and evaluation events, simulation centers, as well as venues for participants located around the globe.

History has taught us that joint warfighting is the way of the future. The development of a JNTC will support the broader strategic goal of Department of Defense Training Transformation with the ultimate goal “to train like we will fight.”

Establishing an initial operating capability in 2004 will support four or five JNTC events per year. Near-term milestones will include the conduct of “bridging” events, which are stepping stones towards full execution of training events. The JNTC will expand over time to reach full operational capability in fiscal year 2009, when the JNTC goal will be to support up to 40 events per year. During this time, the JNTC will continue to move from interoperability training at the tactical to the operational level, allowing network-centric and mission rehearsal capabilities that increase the combat power of sensors, weapon and decision making systems. As directed in the Defense Planning Guidance 04-09, Joint Forces Command will establish a joint management office (JMO) to oversee the programs necessary to implement the JNTC.

In the global war on terrorism, our forces are training and fighting alongside allies and coalition partners in different parts of the world. In support of this effort, we continue to train and exercise with multinational partners through existing alliances and programs such as NATO, NATO/Partnership for Peace (PfP), the American-British-Canadian-Australian Armies Standardization Program (ABCA) and bilateral support agreements.

We participated in or supported nine NATO, NATO/PfP, and “In the Spirit of” PfP exercises since Mar 02 and are currently planning 15 more such exercises to be executed in the 2003-04 timeframe. These exercises included the full spectrum of operations from crisis response operations and humanitarian relief to Allied/Coalition combat.

As part of the Chairman of the Joint Chiefs of Staff Exercise Program, USJFCOM is sponsoring a Combined Joint Task Force training event in June 2004, which will have a

significant multinational contingent. ABCA has focused on this event as its US hosted major biennial exercise. Additional multinational naval units have requested to participate as well. This US joint/coalition exercise will also be a major event in the ongoing establishment of the Joint National Training Capability.

We are working closely with NATO's Allied Command Atlantic (ACLANT) in its rapid transition from a strategic operational command to a strategic functional command focused on Transformation, known tentatively as Allied Command Transformation (ACT). JFCOM is providing specific expertise in the NATO effort to revise its exercise program and establish a European based Joint Warfighting Center using Joint Forces Command's Joint Warfighting Center as a model. The Center's personnel could train NATO elements such as the NATO Reaction Forces, component headquarters, and PFP nations in joint operations.

Joint Forces Command also has the responsibility to develop the Regional Security Cooperation Network (RSCN) initiative. The objective of the program is to assure security cooperation among allies, friends and potential partners. It will also enhance the ability of United States and coalition forces to become more interoperable and more efficient in the conduct of multinational operations. The Swedish-US Viking series exercise, the Eastern European Defence Ministerial series, and the South Eastern Europe Simulation Network '02 are examples of ongoing Regional Security Cooperation Network initiatives.

Critically important to the creation of a joint culture are the joint education endeavors of our armed forces. Currently, I am working with the Chairman of the Joint Chiefs of Staff and the President of the National Defense University (NDU) to establish closer links between NDU and Joint Forces Command. We continue to support NDU with our Joint Operations Module (JOM) as part of the overall CAPSTONE program for approximately 160 newly selected one star flag

and general officers. We provide guest lecturers and adjunct professors to support portions of the curriculum at NDU's Joint Forces Staff College. We are also seeking opportunities for further cooperation and collaboration. A prime example of the ongoing collaboration is NDU's Military Education Research Library Network linked to JFCOM's Regional Security Cooperation Network. We also will be providing the opportunity for both Joint Forces Staff College student and faculty observation of JFCOM exercises and experiments.

Joint Integrator

This command continues to receive new authority to ensure interoperability today and in the future throughout the Joint Force. Recent DOD Management Initiative Decision 912 signed on 7 January 2003 direct expanded responsibilities for the US Joint Forces Command in establishing Joint Battle Management Command and Control (JBMC2) requirements, identifying system-of-systems capability requirements and ensuring the integration and interoperability of JBMC2 capabilities. In this expanded role, JFCOM will lead JBMC2 mission and capability area requirements.

Additionally, we will assume immediate oversight responsibility for the Deployable Joint Command and Control program and the Single Integrated Air Picture, with expanded responsibilities in FY 2004 for Family of Interoperable Operational Pictures. This responsibility will allow Joint Forces Command to synchronize programs and initiatives within Joint Battle Management Command and Control.

Our Joint National Training Capability will also facilitate the evolution of JFCOM's role as joint integrator by providing venues for integration in training.

Joint Experimentation

Joint Forces Command's influence on strengthening our joint warfare capabilities through experimentation is best understood by viewing how the services themselves are picking up on the "joint context" and incorporating new capabilities to their organizations.

From Millennium Challenge '02 (MC02) and other smaller experimentation events over the last year, the Army gained insight into their internal transformation initiatives with the Interim Force and is exploiting a number of initiatives and insights in current operations. In the case of XVIII Airborne Corps' experience as the first "experimental JTF," their experience in establishing a collaborative information environment using the suite of MC02 tools enabled that staff's rapid transition and deployment to the Afghan combat zone with less than 30 days notice. The Army has incorporated several organizational constructs and experimental methodologies into Army doctrine and training programs. This includes new fire control measures and effects-based methodologies, use of collaborative tools, and co-location of the Army Air and Missile Defense Command with the Joint Force Air Component Commander, operating as the Deputy Area Air Defense Commander. The incorporation of the common joint context in upcoming Army transformation wargames, like UNIFIED QUEST '03, will help to ensure that future capabilities are "born joint."

The Air Force's Joint Expeditionary Force Experiment initiatives examined in MC02 are likewise being implemented into their organizations. Currently, Air Force personnel are using MC02 software tools that improve the tracking and tasking of intelligence aircraft, reduce air operations planning time, enable swifter tracking and targeting of mobile targets, reduce fratricide, and provide real time tracking of downed aircrews. Planners are using some of these capabilities at Central Command's Air Operations Center in Afghanistan and plans are underway for use in other theater Air Operations Centers.

The Marine Corps' Millennium Dragon experiment examined a number of expeditionary warfare and urban operations challenges. Marine initiatives under implementation include urban operations tactics, techniques and procedures, the Dragon Eye backpack UAV, cellular staff structure standard operating procedures for the Joint Force Land Component Commander, and Special Operations Mission Planning Environment-Maritime.

Execution of the Navy's Fleet Battle Experiment-Juliet inside of MC02 also resulted in the fielding of initiatives and had a positive impact on personnel and training. Core members from two carrier battle group staffs, with recent Operation Enduring Freedom experience, were teamed with Second and Third Fleet staff members to form the Joint Force Maritime Component Command staff. Each is using the lessons learned from MC02 to improve training for deploying carrier battle groups and amphibious ready groups.

Other top concepts coming out of MC02 that an operational Joint Task Force is applying in the war on terror include the Joint Interagency Coordination Group (JIACG) and the Standing Joint Force Headquarters (SJFHQ).

Standing Joint Force Headquarters is a key capability examined in MC02. CJTF180's exploitation of SJFHQ supporting tools and procedures established the effectiveness of a more cellular organizational structure such as provided by the SJFHQ concept. CJTF180's organization is a hybrid of a traditional military staff and cellular structure. They are exploring reorganization of their headquarters to a cellular staff to improve coordination and effectiveness. Continued work in developing a SJFHQ, joint interagency and multinational coordination, and information sharing and compatibility through joint concept development and experimentation will assist in Operation Enduring Freedom as well as prepare for future operations that face the nation.

Transforming Our Armed Forces

The most significant event in joint Transformation for the Department last year was the conduct of Millennium Challenge '02 (MC02) in July and August 2002. Over 13,000 soldiers, Sailors airmen and Marines participated in the event from eight live training locations across the American Southwest and Pacific Ocean as well as from 17 simulated locations. As mentioned above, the insights and lessons gained from MC02 have led to several new capabilities and operational methods that are being implemented today.

Joint Forces Command does not have all the “answers” to Defense transformation. In the transformation journey, each answer achieved raises new questions to answer. This command relies on the collective wisdom and shared understanding of a common purpose from the joint, interagency and multinational communities to effect true change over the entire force and for future coalitions. Our joint experimentation campaign plan collaboratively links the transformation plans of our customers, the Combatant Commands; our partners, the services and Defense Agencies; and the interagency and multinational communities.

Additionally, Joint Forces Command has established a collaborative relationship with the DoD Office of Force Transformation. Joint Forces Command has included Vice Admiral Art Cebrowski's team in our on-going efforts to implement the SJFHQ in the Combatant Commands. His office provides the necessary bridge between strategy and policy and the future operational concepts and capabilities of our Armed Forces as well as assisting with streamlining the acquisition process to capitalize on rapidly developing 21st century capabilities.

In serving as the Executive Agent for joint concept development and experimentation, a key aspect of our role in the change process is to integrate at the operational level the concept development and experimentation activities of the Services, combatant commands, and other agencies. Developing innovative joint operational and organizational concepts that integrate supporting concepts of the Services, combatant commands and others is the essential first step in this process.

Millennium Challenge '02 focused on determining the extent that the Joint Force could conduct a rapid decisive operation in this decade without a major re-capitalization of the force. Integrating concepts, such as SJFHQ, were refined to provide a level of detail that supported a robust concept of operations.

It is important to understand that joint concept development and experimentation (JCDE) is an iterative process that takes time to fully develop and implement a new concept. MC02 was a key step in this journey, but only one step. The JCDE Campaign Plan continues with activities in 2003 and 2004 that will define the capabilities and concept of operations for the future joint force. Through the competition of joint and service concepts, the best ideas will move to rapid implementation by embedding them in the exercise programs of the Combatant Commands and the Joint National Training Capability, delivering the SJFHQ and supporting concepts to the combatant commanders in FY 2005.

Key to our understanding of joint transformation was defining the characteristics of future joint operations. During our joint concept development work, four key characteristics for future joint operations were identified:

- Effects-based
- Knowledge-centric

- Coherently joint
- Fully networked.

These characteristics provide a simple descriptive framework for examining concepts and exploring capabilities.

The Effects-based characteristic describes the application of the military instrument of national power across a continuum that ranges from cooperation through conflict. Effects-based thinking is a philosophical shift from traditional attrition and maneuver warfare. It involves the comprehensive, integrated assessment of the adversary and the application of relevant instruments of national power to achieve a defined political-military end-state in support of national goals. It views an adversary from a systems perspective and identifies key links and nodes to direct engagements.

In conflict, military actions will focus on the precise application of military capabilities to produce the desired effects needed to shatter the enemy's operational coherence, preempt his options, break his will, and destroy his capability to fight, while preserving long-term U.S. interests. The effects-based approach links to other supporting characteristics of future joint operations, but it is important to emphasize that developing a thorough capability to understand and execute effects-based operations is key to ensuring U.S. strategic advantage as the Global War on Terrorism unfolds over the coming years.

The Knowledge-centric characteristic is a simple yet powerful characteristic that complements EBO. The more that is known about the adversary, the operational environment and ourselves, the more precisely capabilities can be focused to produce the desired effects with less risk of unintended consequences, and more efficient expenditure of national resources.

Not surprisingly, knowledge becomes a hedge against risk, allowing rapid deployment of more precisely tailored capabilities with decisive effects. Knowledge-centric operations postulate a move beyond information superiority to decision superiority through a comprehensive, system-of-systems understanding of the enemy and the environment, as well as a shared integrated awareness of friends, allies and neutrals. Decision superiority is the ability of the commander, based upon information superiority and situational understanding to make effective decisions more rapidly than the adversary, thereby allowing a dramatic increase in the pace, coherence and effectiveness of operations. Advanced decision-support tools, knowledge-fusion, and horizontal and vertical integration of situational awareness will improve dissemination to decision-makers in an understandable and actionable format.

Coherent jointness is the third characteristic of future joint operations, which facilitates coordinated, synergistic employment of the full range of joint capabilities to achieve the desired affects. The interoperability of joint and Service capabilities further enables, and amplifies this common joint ethos. To achieve this synergy of doctrinal, organizational, and human factors, future capabilities must be “born joint.” Interoperability by design in the first instance will permit true integration. It will solve, by moving beyond, the current challenge of de-conflicting service systems that do not talk to each other. Born joint capabilities will require a greater depth of understanding of joint capabilities, an agreed Joint Operating Concept and a shared joint warfighting culture. It enables the execution of seamlessly joint actions at levels appropriate to the mission.

Finally, fully networked forces enable the creation and sharing of that knowledge needed to plan, decide, and act both collaboratively and quickly. It will allow the joint force to accomplish many tasks simultaneously from distributed locations in the battlespace. Networked

forces (based upon systemic, organizational, and personal link) are necessary to compress and change today's sequential, echeloned way of planning and conducting operations. Networked forces use shared situational awareness among all elements of the joint force, to include interagency and multinational partners. This increases the speed and precision in planning and application of power. They allow streamlined joint dynamic processes for the integration of information operations, fires, and maneuver elements as well as for sustainment and joint intelligence, surveillance, and reconnaissance management. Fully networked forces are necessary to employ a coherently joint force to achieve rapid decisive operations.

We clearly understand that trained and ready forces are the foundation of Joint Transformation. Transformation is more than just experimentation, the interoperability of current and future systems or some new technology.

As the Joint Force Provider, our Service components' forces, intellectual input and operational experience shape, enable, and assess transformation activities, particularly concepts and experimentation. Having direct access and command authority over component forces has been key and remains essential to establishing the proper foundation and framework necessary for conducting relevant joint force training and coordinating constructive joint experimentation and technological prototyping, which has proportionally increased and enhanced our total force capability and will continue to be the cornerstone to an unassailable, transformational joint force.

We are convinced that improved interoperability is crucial, to ensure near-term fusion of mission capabilities across the joint services, allied, and inter-agency partners. We have emphasized the need that operational lessons learned and experimentation must drive the development of new joint doctrine, concept development, and integrated architectures, which

ensure and enforce the operational requirements, are properly defined and influence Service and Agency capabilities in the future.

In support of military operations, I am determining with my fellow Combatant Commanders priorities of materiel and non-materiel capabilities solutions, which provide near-term joint warfighting capabilities. In response to the Secretary of Defense and Chairman, Joint Chiefs of Staff concerns over legacy command and control interoperability and integration, my staff has worked closely with Services and Defense Agencies to develop and implement numerous Transformation Change Proposals towards improvements in Joint Task Force command and control, situation awareness, and integration of intelligence assets. Additionally, we have delivered four interim capabilities that directly support the Global War on Terrorism and on-going military operations for Central Command, and six other initiatives that support U.S. Pacific Command and Northern Command for Homeland Security.

Joint Forces Command is addressing critical interoperability problems for the warfighter. To ensure new systems are born joint, the Command reviews all requirements documents under development to ensure sufficiency of interoperability key performance parameters, information exchange requirements, and operational architecture views. The Joint Requirement Oversight Council (JROC) has approved four Joint Forces Command Capstone Requirements Documents—Global Information Grid, Information Dissemination Management, Combat Identification, and Theater Air Missile Defense.

Joint Force Integration clearly reaps insights from training and experimentation and feeds them back into the force. At the same time, our engagement in joint requirements helps us identify needs and focus our efforts. This is how we are working to transform the joint force.

Conclusion

We must transform even as we conduct worldwide operations across the range of military operations. We have to get through today to get to tomorrow. Prudent risk management is necessary. The counsel of prudence is to strike the right balance between operations, readiness, transformation and quality of life. This is both a management issue and a resource issue. Risk can be managed to a point, but resources must also be committed to secure our dominance for today and the future. Transformation, modernization and selected recapitalization cannot occur without the resources identified in the President's budget.

While I have outlined a number of challenges and priorities for ensuring we sustain our worldwide military edge, I must note the criticality of Congressional support. Within the constraints of competing national priorities, even in this time of conflict, the support of the members of this committee is both critical and reassuring. The challenge of transforming the joint force "in stride" is daunting but doable.

Transformation is underway. Our efforts will accelerate these trends. I look forward to working with you to provide our troops the joint capabilities they need today and the transformational capabilities our Joint Force will require in the future. I am enthusiastic about our plan for the future and extend to each of you an invitation to visit Joint Forces Command and our Service Components to see transformation in action.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 12, 2003

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MFP-11 Unfinanced Requirements (\$ in Millions)					
Priority	O&M	RDT&E	PROC	TOTAL	Item
1			88.56	88.56	Advance Lightweight Grenade Launcher
2			16.50	16.50	Special Operations Craft - Riverine (SOC-R)
3			23.00	23.00	EC-130J Commando Solo Upgrades
4			5.85	5.85	Joint Threat Warning System (JTWS)
5	0.20		19.70	19.90	Multi-Band, Multi-Mission Radio (MBMMR)
6		9.00		9.00	Special Tactics Air-Ground Interface Simulator
7		10.00		10.00	Multi-Band, Multi-Mission Radio (MBMMR)
8		1.00	10.00	11.00	Precision Laser Targeting Device (PLTD)
9	0.20	1.50	25.00	26.70	Lightweight Counter Mortar Radar (LCMR)
10	1.50	16.00	38.40	55.90	MAAWS: Includes Systems & Ammo and AT4 Confined Space
11	0.40	6.50	50.10	57.00	Night Vision & Laser Targeting Devices
12			41.25	41.25	Additional Dry Deck Shelters
13		3.00	12.00	15.00	APR-46 Modification Program
14			3.10	3.10	MH-60L Altitude Hold
15			2.30	2.30	Training Support Boat Standardization
16			2.20	2.20	NSWG3 MK8 MOD1 Battery Charging System
17	0.75		7.25	8.00	Special Operations Logistics Support Craft
18		3.00		3.00	PCMCIA Embedded Broadcast System Receiver
	3.05	50.00	345.21	398.26	UFR TOTAL

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MFP-11MILCON Unfinanced Requirements (\$ in Millions)					
Priority	Construct Cost	Design Cost	Unit	Location	Description
1	24.80	2.23	SOCOM	MacDill AFB FL	Warfighting Center
2	13.80	1.24	SOCOM	MacDill AFB FL	Information Technology Facility
3	13.90	1.10	NSWC	San Clemente, CA	Maritime MOUT
4	12.58	0.46	AFSOC	Duke Field, FL	Mobility/Aerial Delivery Facility
5	13.00	1.17	NSWC	Ft Story, VA	Combat Skills Compound
6	2.80	0.25	NSWC	Coronado, CA	Small Arms Range
7	8.40	0.40	USASOC	Ft Campbell, KY	Aquatic Survival Training Facility
8	9.00	1.30	NSWC	Little Creek, VA	SEAL Team Ops Facility
9	5.20	0.47	NSWC	North Island, CA	Boat Launch Facility
	103.48	8.62		MILCON TOTALS	

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**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 12, 2003

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. Colombia. The United States has gotten more deeply involved in Colombia with the expansion of the military's mission from counter-drug to counter-terrorism. The kidnapping of American government employees seems to indicate a change for the FARC—an increased willingness to take on the United States.

- How would you define our current mission in Colombia, and how can we measure success in that mission?
- When will we know that we have reached the point where U.S. military assistance is no longer needed?

General HILL. The USSOUTHCOM Mission in Colombia is aligned with guidance as outlined in National Security Presidential Directive-18 (NSPD-18), and is focused on providing training, planning assistance, equipment and intelligence support to the Colombian military and designated Government of Colombia security forces. The purpose of the mission is to improve the Colombian Military's ability to defeat the illegally armed groups currently operating in the country.

In the initial phases of the expanded mission in Colombia (based on the new congressional expanded authorities for Colombia), measuring success will be based on the completion of USSOUTHCOM-sponsored training, equipping, and support of specified Colombian Military units, combined with measuring the results achieved by these supported units.

USSOUTHCOM military assistance will no longer be needed when the following critical conditions are met:

1. Government of Colombia has established governance over its territory.
2. The threat of illegal armed groups has been diminished to a level controllable by national police forces as opposed to military forces.
3. Colombian Military capabilities are sufficient to prevent reemerging threats.

However, establishing these critical conditions is not solely a military function. The Government of Colombia must act along a broad front composed of political, economic, legal, informational, and civic action axis. Their counterpart U.S. Government agencies must likewise act across these fronts to ensure success in Colombia.

Mr. SKELTON. Expansion of Authority for the Entire USSOUTHCOM Area. This year's budget proposal by the Department of Defense includes a provision allowing all counter-drug funds throughout your area of responsibility to be used for counter-terrorism purposes.

- What justifies this increase in authority?
- What missions will suffer as a result of focusing efforts and funds in this way?

General HILL. My number one priority is to successfully prosecute the War on Terrorism throughout USSOUTHCOM's entire area of responsibility. The USSOUTHCOM effort to combat terrorism is primarily waged by supporting a determined Colombian government in their fight against terrorist organizations like the FARC, ELN, and AUC. Progress is being made toward reducing terrorism in Colombia by curtailing the primary source of terrorist income, illicit drug activities. The Colombian model should be used to address the transnational terrorist presence in other regions of the hemisphere. The proposed legislation would enable the Department of Defense to utilize counterdrug funds allocated by Congress in a broader spectrum of operations encompassing not only counterdrug, but counterterrorism, illegal arms trafficking, money laundering, human trafficking, and regional security imperatives.

Current missions in USSOUTHCOM's area of responsibility should not suffer as a result of our focus on counterterrorism. In fact, greater efficiencies should be realized as we concentrate on narco-terrorist targets. Our stated goals in the National Strategy for Combating Terrorism work well for both our counterdrug mission and our priority of fighting the war on terrorism.

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ General, thank you for the information in reply to my question on what policies are being implemented to protect contract personnel on mission in South America and the associated costs. In follow-up, I would like to clarify my inquiry and narrow its scope.

As recent events attest, South America presents many security challenges to military personnel and contract personnel, alike, that are stationed there. Whether or not this area fits the current estimates of one contractor for every 1- military personnel, there are many contract personnel working and supporting our troops in South America. With this situation, how does the military get involved in the security of these contract personnel, what types of activities does this involve, and do we have an estimate of these costs? If there is a cost estimate, what is it?

Thank you for testifying before the House Armed Services Committee this morning. It was good to see you again, and I look forward to our next meeting.

General HILL. In the first instance, the rights and obligations between and among the Government and contractor personnel are governed by the contract itself. Contractors are free to negotiate any security aspect they deem important and have such security or force protection requirement set forth in the contractual documents. To the extent such provisions are set forth in the contract, the Government must fulfill the requirement. Each contract should be reviewed to determine the specific requirement(s).

DODD 2310.2, Dec. 22, 2000 indicates that it is DOD policy that "Preserving the lives and well-being of U.S. military, DOD civilian and contract service employees placed in danger of being isolated, beleaguered, detained, captured or having to evade while participating in a U.S.-sponsored activity or mission is one of the highest priorities of the Department of Defense. The Department of Defense has a moral obligation to protect its personnel, prevent exploitation of its personnel by adversaries, and reduce the potential for captured personnel being used as leverage against the United States." (Para. 4.1) The directive assigns primary responsibility for recovering U.S. personnel identified in paragraph 4.1 to the Department of Defense for such personnel who are deployed outside the United States and its territories. (Para. 4.2) Paragraph 5.14 assigns responsibility for planning and executing personnel recovery operations within their area of responsibility to the Commanders of the Combatant Commands. Joint Publication 1-02 defines Personnel Recovery as the sum of military, civil, and diplomatic efforts to obtain the release or recovery of personnel from uncertain or hostile environments, whether they are captured, missing, or isolated.

FM 3-100.21 (Contractors on the Battlefield) sets forth Army policy and responsibilities regarding contractors supporting military operations in the field. It indicates that contractor employees, because of their status as civilians authorized to accompany the force in the field, have an inherent need for force protection. (Para. 6-3) It states that Army policy is to provide force protection to contractors deployed in support of Army operations/weapons systems "commensurate with that provided to Department of Army civilian personnel." Para. 6-7 addresses the responsibility of the Combatant Commander. The Commander and his staff, through the risk assessment process, evaluates the force protection implications of contractor involvement according to the nature and extent of the operation. "The mission, threat, and location of contractor operations determine the degree of force protection needed." (Para 6-5) Protection for contractors involves active use of armed military forces to provide escort or perimeter security, and passive measures that include protective military equipment, training and equipping of contractor employees in self-protection (NBC and weapons). (Para 6-6)

Throughout the USSOUTHCOM area of operations, contract personnel benefit both directly and indirectly from Department of Defense force protection actions. Department of Defense personnel provide training to the host nation forces that in turn provide security and force protection to the contract personnel and their assets.

In Colombia for example, contractors benefit from the force protection provided when working on Colombian military bases. By virtue of the contract process, the contractor agrees to follow the force protection guidance provided by the Country Team in order to mitigate potential threats to American personnel. Contractors operate within the protective cocoon of the Colombian military at locations vetted and approved by the Country Team. Day to day accountability, communications, and threat reporting is monitored and facilitated by the Country Team Regional Security Officer.

Many physical security enhancements are funded by Department of Defense. At forward operating sites in Colombia, the contractors are required to participate in the daily threat and force protection updates with DOD and Colombian military per-

sonnel. Contracting personnel are integrated into the base defense plans; ensuring personnel can be protected and accounted for in the event of an attack.

The Department of Defense, through the in-country Military Group Commander, provides recommendations to contractors on purchasing personnel recovery technology and other equipment compatible with Department of Defense forces in order to ensure a common operational capability.

To date, over \$7 million dollars worth of force protection enhancements have been provided in Colombia alone. Our security posture is continuously reviewed and enhanced based on the evolving threat environment.

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. Gen Holland, your testimony cites counter narcoterrorism as one of USSOCOM's mission areas. The Special Operations role in Arauca, Colombia, training the Colombian military has been well-publicized and was discussed at length during this hearing. Recent media reports have claimed that an unintended consequence of U.S. military action in Afghanistan has been a strong resurgence of poppy farming and opium production in that country. Is the U.S. actively suppressing the drug enterprise in Afghanistan? If so, can you share some specifics? If not, why in Colombia, but not in Afghanistan, especially in light of the potential financial boon the drug trade represents to Al Qaeda?

General HOLLAND. Several nations have agreed to share responsibility for Afghan reconstruction. The United Kingdom has taken the lead for coordinating international assistance to Afghanistan for counternarcotics efforts. Germany has taken the lead for support to the Afghan police; Italy has taken the lead for reforming the judicial system; and the US has taken the lead for support to the Afghan National Army.

The United States supports all of these programs. We will continue to work with all members of this coalition of nations to address threats to Afghanistan's security.

Mr. ABERCROMBIE. Are we or are we not acquiescing by default or by design to the reestablishment of drug enterprises in Afghanistan?

Is the United States actively pursuing the suppression of drug cultivation and distribution in Afghanistan today?

General HOLLAND. Several nations have agreed to share responsibility for Afghan reconstruction. The United Kingdom has taken the lead for coordinating international assistance to Afghanistan for counternarcotics efforts. Germany has taken the lead for support to the Afghan police; Italy has taken the lead for reforming the judicial system; and the US has taken the lead for support to the Afghan National Army.

The United States supports all of these programs. We will continue to work with all members of this coalition of nations to address threats to Afghanistan's security.

QUESTIONS SUBMITTED BY MR. HAYES

Mr. HAYES. In view of recent events and the expanded missions that Naval Special Warfare is now tasked to perform, would you support rapid prototype development of a maritime platform that has stealth, speed, long range, and shallow draft that has the capability to support proactive special operations?

General HOLLAND. The United States Special Operations Command supports combat craft funding identified in the budget request. Within that request are funds for a MK V replacement and an Analysis of Alternatives to identify approaches to replace the MK V. We also support the Navy's efforts to develop a Littoral Combat Ship which will provide for Naval Special warfare's long range maritime requirements.

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. Admiral Giambastiani, as you are well aware, the proper training of our combatant commanders, their staffs, and our troops is critically important for ensuring our forces are as prepared as they can possibly be to protect our Nation and its allies around the globe. The Joint Simulation System (JSIMS) was designed exactly for that purpose and delivered its Version I training capability in December 2002. Now, however, the FY04 budget request contains no funding for continued development of JSIMS. Can you provide the Committee your assessment of the importance of JSIMS and its utility for JFCOM, our combatant commanders, staffs, and troops?

Admiral GIAMBASTIANI. Modeling and simulation plays an important role in transforming the U.S. military. Joint Forces Command seeks a modeling and simulation capability that provides a single improved replacement for a wide variety of antiquated Joint, Service and Agency legacy simulation systems. The federation of simulations central to the execution of last summer's Millennium Challenge experiment demonstrated the utility of such a system, but also the challenge of creating such a capability from those legacy simulation systems. The Joint Simulation System (JSIMS) was intended to provide next generation joint and Service training simulation tools; reduce relative development and life-cycle cost; and substantially improve performance.

The recent Program Decision Memorandum (PDM) did not cancel the JSIMS program, but discontinued JSIMS development beyond Block I pending the analysis of alternatives. In the interim, Joint Forces Command received Version 1 of JSIMS in December 2002 and began testing, is taking steps to establish a Software Support Facility (SSF) to maintain JSIMS Block I software, and will support the analysis of alternatives. Program continuation is dependent upon the outcome of this testing and the Defense Department's analysis of alternatives. In any case, a JSIMS-like capability is important to joint training and experimentation, particularly as we develop the Joint National Training Capability (JNTC) and account for new approaches to warfare by moving beyond current, attrition based models.

Mr. FORBES. What are the consequences and implications for joint training if JSIMS is not continued beyond Version I—what capabilities currently exist that could replace the unique capabilities of JSIMS if it were not continued beyond Version I?

Admiral GIAMBASTIANI. No Joint or Service legacy system completely satisfies the requirements established by the JSIMS Operational Requirements Document. Likewise, Joint Forces Command seeks a modeling and simulation capability that provides an improved replacement for a wide variety of antiquated Joint, Service and Agency legacy simulation systems. However, given its history, JSIMS program continuation is correctly dependent upon the outcome of Joint Forces Command testing and the Defense Department's Analysis of Alternatives. In the interim, networking joint and Service simulation systems is sustainable.

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. I believe that the Navy SEALs Mission Support Center in San Diego is an incredible tool. Can you explain its utility and its prognosis for future funding and expanded use?

General HOLLAND. The Naval Special Warfare (NSW) Mission Support Center (MSC) is focused on network centric command, control, communications, and intelligence (C4I) to reduce forward infrastructure. From groundbreaking to present, the MSC has supported over 40 combat missions in two theaters, providing operational, intelligence, meteorological, and logistic support.

The MSC provides tailored C4I systems and support. This tailored support includes strategic planning that crosses theater boundaries; operationally tailored intelligence, meteorology, and logistic support; Tailored Blue Force Tracking feeds to forward commanders that increase positive control and deconfliction of NSW forces in real-time; Unique systems that provide forward commanders real-time access to operational relevant information (i.e., redistributing Predator feeds, all-source signals intelligence) via reliable and redundant reach back architecture.

We appreciate Congressional interest and support of the MSC. In Fiscal Year (FY) 2003, it was resourced with Congressional supplemental funding totaling \$1.7 million and reserve augmentation. The FY 2004 the President's Budget includes funding for the MSC at \$1.9 million. We will continue to monitor the progress and resource requirements of the MSC as it matures into the robust facility we envision.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. In view of recent events and the expanded missions that Naval Special Warfare is now tasked to perform, would you support rapid prototype development of a maritime platform that has stealth, speed, long range, and shallow draft that has the capability to support proactive special operations?

General HOLLAND. The United States Special Operations Command supports combat craft funding identified in the budget request. Within that request are funds for a MK V replacement and an Analysis of Alternatives to identify approaches to replace the MK V. We also support the Navy's efforts to develop a Littoral Combat

Ship which will provide for Naval Special Warfare's long range maritime requirements.

QUESTIONS SUBMITTED BY MR. BRADLEY

Mr. BRADLEY. In recent years Congress has consistently supported efforts by USSOCOM to modernize its night fighting capabilities. Through the enhancement process, Congress has increased substantially funding the for select night vision systems. Although many of these systems are now in use with deployed forces prosecuting the war on terrorism and those preparing for battle in Iraq, it is my understanding that there remain substantial unfounded requirements for USSOCOM in the night vision arena.

Recognizing that you are constantly confronted by the challenge of matching available resources with requirements, I am concerned that the fiscal year 2004 USSOCOM budget request may not be sufficient to support your existing and evolving requirements for SOF small arms and weapons. The ongoing war on terrorism, operations in Iraq, and other future contingencies will certainly entail substantial night fighting, and our ability to project power and conduct highly precise, effective special operations is directly linked to our ability to "own the night."

Accordingly, I am interested in learning more about your existing and emerging requirements for systems such as the AN/PEQ-2A and AN/PEQ-5, which are key items in the SOPMOD M4 Accessory kit, and the Miniature Day Night Sight. I would appreciate it if you could provide me with your perspective on the operational utility of these systems, the requirements underpinning your procurement strategy for each, and an assessment of how much your current budget request provides for these systems in relation to the overall requirements for each. Also, if additional defense funds were available to USSOCOM, either through a supplemental appropriation or the annual defense authorization and appropriations legislation, would increased procurement of these systems represent a high priority for USSOCOM?

General HOLLAND. The operational utility of the kit items you identified is unmatched. The AN/PEQ-2A affords the operator an ability to identify the enemy with an illumination laser, much like a flashlight, but in the Infrared (IR) spectrum, and then designate the same enemy with an aiming laser (an IR dot) out to 500 yards. The AN/PEQ-5 provides the SOF operator the ability to mark a target with a visible red dot prior to engaging. The Miniature Day Night Sight is a developmental effort consisting of several initiatives. The Miniature Day Night Sight effort intends to consolidate functionality and provide more capability in smaller packages. Secondly, the Miniature Day Night Sight (MDNS) effort identifies cutting edge technology and Commercial-Off-The-Shelf (COTS) items that will increase our operators' ability to truly "own the night." Items included in the MDNS effort are the Visible Bright Light II, AN/PVS-17A Mini Night Vision Sight, the Enhanced Combat Optical Sight (ECOS) and the Clip on Night Vision Device (CNVD).

The United States Special Operations Command's (USSOCOM) requirements are generated by our users (the Special Operations Peculiar Modifications (SOPMOD) M4 Accessory Kit requirement for each laser is 11,888; four per SOPMOD kit). Once validated and funded, our acquisition personnel determine the strategy that will provide the operator the best material solution that meets the requirement, in the most expeditious manner. The procurement strategy for the AN/PEQ-2A and AN/PEQ-5 is to continue to purchase the PEQ-2A and PEQ-5 until the Basis of Issue is reached. The procurement strategy for the Miniature Day Night Sight effort is evolutionary in nature. It begins with solicitations to industry for solutions to our requirements. Our acquisition personnel then conduct appropriate competition and source selection and procure the various items either through Commercial-Off-The-Shelf (COTS) or modified COTS items. Improvements are measured using the currently fielded systems as the baseline. The Miniature Day Night Sight effort is investigating cutting edge technology, miniaturizing and combining existing capability, and identifying COTS items for the SOPMOD program. The MDNS represents the next generation of capabilities enabling the SOF operator to "own the night." This includes phased replacement of the aging AN/PEQ-2A And AN/PEQ-5 aiming lasers.

Our 2004 budget request does not contain funding for these systems. \$2.2 million would be needed in order to fully field the remaining 2,216 weapons with the AN/PEQ-2A. An additional \$2.7 million is needed to fully outfit 5,944 more operators with the AN/PEQ-5. Our initial request to the Department for additional FY03 Supplemental funding did contain requirements for these systems.

If additional defense funds were available, the procurement of these items in the SOPMOD kit represents a high priority for USSOCOM. In just about every photo

of a SOF operator, you will see these SOPMOD items on our weapons. In the life or death situations our operators are facing daily in Afghanistan and Iraq, I would like to think that we will provide every soldier, sailor, and airmen with the proper tools to fight, win and come home alive and well. It is our ability to see the enemy first, coupled with the ingrained training inherent in each SOF operator that makes our operators special. The SOPMOD program provides us with that unmatched edge our warriors need during every mission, day or night.

FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—COMBATANT COMMANDERS OF U.S. PACIFIC COMMAND AND U.S. FORCES KOREA

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, March 12, 2003.

The committee met, pursuant to call, at 2:05 p.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The full committee will come to order.

This afternoon, the committee continues its review of the state of our combatant commands, focusing on the U.S. Pacific Command and U.S. Forces Korea. It is a pleasure to welcome our witnesses this afternoon. We have with us Admiral Thomas B. Fargo, United States Navy, Commander, United States Pacific Command, and General Leon LaPorte, United States Army, commander, U.S. Forces Korea. Gentlemen, we look forward to your testimony.

Today, as the world focuses on the Middle East and a possible conflict with Iraq, we cannot forget that the United States faces serious challenges elsewhere in the world. Nowhere is this more apparent than in the Far East.

The admission by North Korea last October that they secretly continued a weapons—a nuclear weapons program in the wake of the 1994 Agreed Framework, has raised tensions on the Peninsula to the highest levels in recent years.

These increased tensions have reopened the discussion as to whether the United States has a force structure and capability to fight and win two nearly simultaneous major theater conflicts.

While this administration's security strategy has evolved from the two major theater war (MTW) force sizing mechanism, today we find ourselves facing simultaneous challenges in both Iraq and Korea, a possibility that many military planners considered remote only a short time ago.

While North Korea holds our immediate attention, China looms as a long-term concern for the United States in the Pacific. It is clear that China views the United States as a regional and strategic competitor.

China has undertaken a military modernization program in order to diversify its options for the use of force in a variety of situations. The most serious of these situations is, of course, any potential military action China may take against Taiwan.

Admiral Fargo, I am interested in hearing your views on the China security situation and of a more current concern, I am also interested in hearing about your command's role in the Global War on Terrorism and, in particular, about your ongoing activities and our ongoing activities in the Philippines.

So, before we get started, let me recognize the committee's ranking Democrat, my partner, the gentleman from Missouri, Mr. Skelton, for any remarks he wants to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 851.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, I thank you very much. And thank you for calling this hearing. I think it is very important that we have testimony from these gentlemen today.

I join you in welcoming Admiral Fargo and General LaPorte. And Mr. Chairman, having known them through the years, I have added confidence in the military posture in that part of the world. I am very proud of them and proud of the fact that they are here with us today.

Our committee has been deeply involved in the question of U.S. policy toward Iraq. And with a quarter of a million American forces arrayed in the Persian Gulf, our nation stands at the precipice of war.

Looking at the world as a whole, and looking at history as I am bound to do, in my opinion, this is the most dangerous time for our country since the dark and difficult days of 1942. I will ask you about that in a later moment.

I feel deeply that for some time the situation in the Korean Peninsula could pose greater dangers to our national security. North Korea has long been a leading export of missiles. Its current ability to export nuclear materials and weapons cannot be tolerated. To prevent this, our country must work with our allies and friends in the region. At one level, this is a regional problem that the administration is right to work with South Korea, Japan, China and Russia. But the administration must also, in my opinion, engage North Korea in negotiations.

I greatly fear that once we are involved in hostilities with Iraq, North Korea will seek to take advantage of our distraction. I hope that you both will help us understand your commands' contingency planning in the event that North Korea initiates hostilities towards the United States or other countries, or continues to escalate the current crisis. What efforts are you taking and what capabilities are available? Do we have enough in the right type of forces to provide you with what you need?

General LaPorte, I hope you will also address the issue of U.S. force protection posture in the Korean Peninsula. The press reports indicate that a long-standing basing consolidation plan will involve moving U.S. troops further away from the Demilitarized Zone (DMZ). So, please explain to us the status of the discussions with South Korea, whether force posture changes will have a destabilizing effect on the current situation with North Korea. I thank both

of you, Admiral Fargo and General LaPorte, for being with us today.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 854.]

The CHAIRMAN. I thank my colleague. Admiral Fargo, thank you for being with us today. The floor is yours.

**STATEMENT OF ADM. THOMAS B. FARGO, USN, COMMANDER,
U.S. PACIFIC COMMAND**

Admiral FARGO. Thank you, Chairman Hunter, Representative Skelton, and members of the committee. It is my great pleasure to be here today. The men and women of the U.S. Pacific Command are providing superior service to the nation in the Asian Pacific region and around the world and the high readiness of our forces can be directly attributed to the generous support of this esteemed body and of the American people as a whole.

The dramatic events of the past year have brought into new focus our national security demands for the 21st century. We have outlined five near term priorities for the Pacific Command to meet those demands. I would like to briefly highlight those priorities if I may.

At the top of our priority list is very clearly the Global War on Terrorism. We are building momentum on the war on terrorism in the Pacific theater. In addition to providing forces to the Central Command for Operation Enduring Freedom, we are focused on two primary terror threats related to al-Qaeda—the Abu Sayyaf Group (ASG) in the Philippines and the Jamaah al-Islamiyah, an al-Qaeda surrogate spread throughout southeast Asia.

Last year we responded to the request of the Philippines to provide training advice and assistance to the armed forces of the Philippines and southern Mindanao, including Basilan Island, then an Abu Sayyaf stronghold. This six-month effort provided a template to help the Republic of the Philippines develop a lasting counterterrorist capability.

As a result, we have seen the beginning of stability on Basilan. The terrorists have been separated from the people and normal activity, like children going back to school, has returned.

There is clearly more to be done. The ASG is reconstituting and have been active in bombing campaigns and are looking for outside support. We have an active exercise and security assistance program in place to continue to build counterterrorist capability in the armed forces in the Philippines.

The Jamaah al-Islamiyah, or JI, has had cells in Singapore, Malaysia and Indonesia and has attacked Americans and other interests throughout the region. This group was also responsible for the tragic bombing which killed some 200 people in Bali, many of them Americans and Australians—actually, seven Americans were killed.

We are focused on the JI and are pleased with the cooperation of our friends in the region, including investigations by the government of Indonesia to apprehend and bring these terrorists to justice. Over 130 JI members have been arrested or detained to date.

Our service components are enjoying the highest readiness that I can recall in my 32 years of service. For example, in January, all six Pacific Command aircraft carriers were underway simulta-

neously, five with full air wings embarked and ready to deploy. I can provide similar examples for you for all the services.

Our war fighting readiness will benefit from future developments of missile defense; increased stocks of precision guided munitions; improved anti-submarine warfare capabilities; increased intelligence surveillance and reconnaissance assets; and improved air and sea lift to speed our forces to future conflicts.

Our quality of service concept includes the traditional quality of life initiatives plus the facilities, the spare parts and the information technology necessary for satisfaction and efficiency on the job. You should know that I am a big fan of this new and present generation. They are smart, engaging and unafraid of hard work. They well represent our nation and its values around the globe.

Morale and retention are high and we appreciate your support of the defense budget, including the improved readiness funding and the pay raises that demonstrate parts of your continuing commitment to our people.

Our longstanding bilateral alliances in the Pacific, our solid relationships in the presence of our forward deployed combat forces, are the constancy that insures the region's peace and stability. Northeast Asia is the center of gravity for Asian Pacific security. Our alliance with Japan is fundamental to that security and Japan has been an aggressive and strong partner in the war on terrorism. In my judgment, our relationship with Japan has never been stronger.

Our alliance with South Korea is also solid. It has been the basis for peace and prosperity in South Korea for 50 years and will continue to serve our mutual security interests even after the lessening of tensions on the Peninsula. North Korea's provocative actions over the last six months have not changed that fundamental truth.

Australia is our special partner and friend in the Pacific. The Australians have demonstrated courage and leadership in regional efforts from Afghanistan to Bali to East Timor and we continue to eliminate barriers to interoperability between our forces.

Our relationship with Thailand and the Philippines, as I have already described, also demonstrate cooperation and partnership in regional and global security initiatives.

The contributions by good friends in the region are numerous—Singapore, Malaysia, New Zealand, and most recently, India, have all participated in the Global War on Terrorism with contributions that have ranged from intelligence sharing, to overflight access, to combat forces.

Our final priority is to promote change and to improve our Asian Pacific defense posture for the future. The Pacific Command is synchronizing transformational efforts to produce real improvement in six key areas. These areas include first updating our plans to meet the current and emerging threats within our new force-planning construct.

Second, strengthening the command and control relationships, which include maturing the standing joint force headquarters concept. Next is improving our force posture and footprint in ways that improve our ability to respond to threats more rapidly while minimizing adverse impact on our allies and our friends.

We also need increased capabilities for immediate employment. Here I am talking about missile defense, global strike capabilities, the guided missile submarine (SSGN) and improvements in intelligence assets to increase our warning of potential threats.

In new operating patterns and concepts, such as the naval expeditionary strike group and the Army's Stryker Brigade Combat Team and high-speed vessels, we will be able to harness these capabilities to great advantage.

And finally, increasing opportunities for diversified access and logistics to reassure allies, build reliable options for contingency planning and improve training alternatives, which will relieve pressure on overstressed locations.

These six areas encompass the primary focus of our transformational efforts in the Pacific. And finally, on behalf of the men and women of the U.S. Pacific Command, let me offer my sincere appreciation for your support and the opportunity to report on the posture of the United States Pacific Command.

I look forward to your questions. Thank you.

[The prepared statement of Admiral Fargo can be found in the Appendix on page 857.]

The CHAIRMAN. Admiral, thank you.
General.

STATEMENT OF GEN. LEON J. LAPORTE, USA, COMMANDER, U.S. FORCES, KOREA

General LAPORTE. Chairman Hunter, Congressman Skelton, and distinguished committee members, I am honored to appear before the committee to update you on the current situation in the Republic of Korea (ROK).

I have prepared a comprehensive statement of the command and I would appreciate it if you would include it in the statement for the record.

The CHAIRMAN. Without objection, both statements will be taken into the record.

General LAPORTE. First, I want to extend the thanks of all the soldiers, sailors, airmen and Marines and the Department of Defense civilians that serve in Korea.

Your consistent support enables us to maintain the high degree of readiness and accomplish our deterrent mission on the Korean Peninsula.

The past year was an extraordinary year for those who serve in Korea. The United States Forces Korea, continue to provide deterrence and security to the Peninsula by a maintaining high state of readiness.

2002 marked the fourth democratic transfer of power in the Republic of Korea, renewed South Korean efforts towards inter-Korean reconciliation and the first World Cup hosted in Asia.

In contrast, there were some discouraging incidents, as well. The North Korean unprovoked attack, which resulted in the sinking of a Republic of Korea naval boat in the West Sea and increased regional tensions, revelations of the North Korean nuclear weapons development program and a cyclic rise in anti-United States Forces Korea sentiment. The Republic of Korea and the United States alli-

ance continues to be the foundation of peace and security in the northeast Asia region.

When I assumed command in May of last year, I established five command priorities. The first being to ensure peace and stability on the Peninsula and in the region; second, to focus on ensuring that the service members were trained and ready to execute their mission; third was to strengthen the Republic of Korea-United States military alliance; fourth was to transform the command into a 21st century fighting capability; and finally, to make Korea an assignment of choice for all U.S. service members.

In 2002, the United Nations command has made significant contributions to inter-Korean initiatives by the South Korean government while maintaining the effectiveness of the armistice agreement, most notably to reduce tensions following the 20 June North Korean attack on the Republic of Korea naval ship and to support the South Korean initiatives to establish transportation corridors through the Demilitarized Zone to establish economic exchanges between North and South Korea.

Combined Forces Command, which is the backbone of United States and ROK-U.S. alliance continued to modernize capabilities and work together to deter the North Korean threat.

The United States Forces Korea established a groundwork for its transformation to a capabilities-based force for the 21st century. This transformation, as determined by the ROK-U.S. future in the alliance policy initiative will ultimately result in more capable forces throughout the region.

Our alliance forged in blood of 415,000 South Koreans and 33,000 Americans who gave their lives in the Korean War remain strong and committed to the principles of the mutual defense treaty.

The challenges of 2002 have firmly reinforced three points. First, the events in Korea affect the entire world. The North Korean military remains a serious threat to regional and global stability. The Republic of Korea-United States alliance is essential to continue Peninsula and regional security. The continued United States presence in Northeast Asia is critical to regional stability.

Two thousand three will be a pivotal year for the Republic of Korea. As the international community works to resolve the North Korean nuclear weapons issue, security and stability will remain the common denominator of the alliance.

As the first 50 years of our mutual defense and security relationship comes to a close, we will adhere closely to the following principles of the 1953 mutual defense treaty as we prepare for the next 50 years.

I thank you for the opportunity to appear before this committee and look forward to your questions.

[The prepared statement of General LaPorte can be found in the Appendix on page 914.]

The CHAIRMAN. Thank you, General and thank you, Admiral. I will yield at this time to the gentleman from Missouri, Mr. Skelton.

Mr. SKELTON. Thank you again for your appearance and I realize it is a long way from whence you came, but it is important that you be here.

I personally believe that we are in the most dangerous period of our nation's history since 1942, those dark and difficult days in the early part of the Second World War.

The situation in North Korea is a major factor in that assessment as well as other areas in the Pacific, but not limited to that.

Do you agree with my opinion and, if you do, what additional capabilities do you need to make your region as successful as it can be?

Admiral.

Admiral FARGO. Mr. Skelton, I think the world has changed dramatically since the Cold War and it is very clear to me that the kind of threats that we face today are much different. We are in an environment where weapons of mass destruction are a very significant concern. We all understand very pointedly the threat from terrorist groups worldwide and certainly there are other issues such as cyberthreats and the ability of people to disrupt our financial institutions and so on.

My personal belief is that this does require a new strategy.

Mr. SKELTON. Do you agree or disagree with my statement?

Admiral FARGO. I do not know if I can put an evaluation that it is more dangerous than 1942. Certainly, it is a very serious point in time. I cannot draw an up arrow or a down arrow on those two, Congressman, but I am very concerned with the threats that we contend with today.

Mr. SKELTON. What additional capabilities do you need in your region is my follow on question?

Admiral FARGO. Well, I think certainly at the top of my list is we have got to develop the kind of counterterrorist capability to match our defensive capabilities and antiterrorist support protection that can protect our homeland and our operating forces.

My personal belief is that missile defense is helpful. I have forces in the Pacific that cannot defend themselves from a short-range ballistic missile or a medium-range ballistic missile. That is important to me. Improved warning that would be brought by intelligence surveillance and reconnaissance capabilities are hugely important.

Systems like Global Hawk and Predator and their ability to move that information directly to the shooter are a huge leverage in our fights against terrorism.

Last, the ability to be able to deploy forces rapidly with high-speed air and sealift are a key enabling contribution to all that we do.

Mr. SKELTON. How many aircraft carriers do you have on station in your entire area of responsibility? Today.

Admiral FARGO. In my responsibility today we have five deployed aircraft carriers. We have three in the Gulf right now, in the Arabian Gulf and we have one, USS Nimitz, that is in Honolulu today, but is heading west to relieve the Abraham Lincoln. We have the Carl Vinson that is in northeast Asia.

Mr. SKELTON. You have one in the Pacific Ocean. Is that correct, that will be stationed there?

Admiral FARGO. I actually have two right now in the Pacific Ocean.

Mr. SKELTON. I said that will be stationed there.

Admiral FARGO. That will be stationed there for the near term, yes, sir.

Mr. SKELTON. Yes. All right.

General? Should I repeat my question, General?

General LAPORTE. No, sir, Mr. Skelton. I have it. September 11 changed the world we live in significantly and it is a dangerous world and we face significant threats.

In the area where I serve our nation, we have a North Korean threat that has a 1.2 million person force and has a very credible, conventional army with significant artillery and missile capabilities. We are concerned that we continue to establish and demonstrate a firm deterrent posture so that North Korea military and the Kim regime do not miscalculate and think that the United States is not paying attention to what is going on while it may be involved someplace else in the world.

The capabilities that we continue to—

Mr. SKELTON. You have not answered my question, General.

General LAPORTE. I think it is a dangerous place. I do.

Mr. SKELTON. Go ahead. Tell us about your capabilities.

General LAPORTE. The capabilities that would reinforce and assist us would be a missile defense. Right now I have limited missile defense on the Peninsula with my Patriot missiles, protecting my critical air nodes, increased intelligence, surveillance and reconnaissance capabilities and increased precision guided munitions would be capabilities that would enhance my mission accomplishment.

Mr. SKELTON. Thank you.

The CHAIRMAN. I thank the gentleman.

We are going to go on down the line, but I have—when we get finished, General, I have a few follow-ups from our discussion this morning.

Mr. Hefley is the chairman of the readiness/military construction subcommittee. The gentleman from Colorado, Mr. Hefley.

Mr. HEFLEY. Thank you very much and thank you, gentlemen, for being here. General, I am not suggesting that we pull out of Korea, particularly in light of the recent behavior of the North Koreans, but unless we are at war, I generally have the feeling that we do not belong in places that do not want us.

I was very disturbed by Germany, for instance, in the recent elections—German politicians using America as a whipping boy in order to get elected, both in the national and the local elections.

I think we ought to reevaluate how much presence we need to have in Germany. If they do not want us, we should not be there. I am disturbed also by the demonstrations in Korea against our presence there. I guess what I would ask you is, are any of those feelings coming from officialdom in Korea or are these just ad hoc groups that like to take to the streets and wave banners and attack the United States?

Does the government of South Korea want us there? Are they glad we are there? Are they pleased with us being there? What can you tell us about that?

General LAPORTE. Congressman Hefley, I have been asked many times, is there a crisis in South Korea and I will tell you adamantly, there is no crisis in South Korea. There would be a crisis

in South Korea if they were not able to conduct democratic elections like they did in the December time period. There would be a crisis in Korea if the people did not have the right to gather and speak their minds. There would be a crisis in Korea if they could not worship the way they desire. And it would be a crisis in Korea if the civilian authorities did not have control over the military.

None of those are taking place in South Korea. Sir, what we have is a maturing democracy that has challenges like any other democracy. I will assure you, having talked to President Roh several times since he has been elected, that he is a firm supporter of the United States. He is a firm supporter of the Republic of Korea-United States alliance.

He came to my headquarters for briefings and discussions right after he was elected. It was one of the first places he visited. He wanted to reassure the United States of his commitment to the alliance. I could tell you the ROK government is very supportive of the U.S. alliance in terms of their National Assembly. I see them often, speak with them.

The military, the Combined Forces Command, which is a Republic of Korea-United States command, is firmly the centerpiece of the Peninsula security, the ROK military and the leadership affirming in support of the alliance and the United States.

Mr. Congressman, they have a democracy and they have an opportunity to speak their mind. I would just tell you that last weekend there was a 70,000 person demonstration. It was a pro-U.S. demonstration where they unfurled the American flag, a Korean flag and a United Nation's flag, not to tear it, not to burn it, but to demonstrate their support for this alliance.

Mr. HEFLEY. That is reassuring. Thank you very much.

The CHAIRMAN. I thank the gentleman.

The distinguished gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you.

I thank both of you gentlemen for being here and the troops that you are representing today.

As you know, since the demise of the Soviet Union, I guess the worst-case scenario that has been trotted out in this room, has been two simultaneous attacks.

The potential for that, certainly, is a very real possibility within the next month that we would be going to war with Iraq and I would guess around the world, the second most likely place for that to happen would be Korea.

My question to you is on a scale of one to ten, how high would you rate that threat from the Koreans, the North Koreans?

General LAPORTE. We have a very significant and capable force as part of the Combined Forces Command alliance. The Republic of Korea has in excess of 600,000 service members on active duty and has the capability of mobilizing a significant number more—nearly 42 divisions' worth of soldiers.

They have a very competent naval force. I have been on the ships with them. I have been with their Marines in training. I have flown with their air force pilots, so as we look at the threat, I think it is important that we remember that we have a tremendous partner in our alliance, the South Korean military.

We watch North Korea very, very closely. I can give you in a closed session or privately detailed information, but I am very comfortable that we have the forces currently in position to be a strong deterrent against a miscalculation.

Mr. TAYLOR. General, I appreciate that. Again, the reason for this is in my town meetings back home, I have a larger number of constituents who fought in the Korean War than fought in the Gulf War. They remember how rough that was. They are very much concerned of a war with Korea. And the reason I am asking that is the media reports have led those people to believe that this is a real and very high probability.

My question to you two gentlemen is how high do you right the probability of a war with Korea?

I heard every word of your answer, but I do not feel like you answered my question.

General LAPORTE. The training that is going on with the North Korean military now—they are in their winter training cycle. It started in January and it will go through the end of March. It is well within their seasonal norms. In fact, it is less than what we have seen in the past couple of years.

So, from a conventional force, if they have the capability, my estimate is their intent is not to use that force at this point in time. But there is always an opportunity for miscalculation. So, I am pretty comfortable with the posture we have right now and the support I have received from the Pacific Command during an upcoming major training exercise, we all have additional forces on the Peninsula.

Mr. TAYLOR. A follow up—Admiral, if you would like to answer that.

Admiral FARGO. Congressman, I agree with all that General LaPorte has said. I would probably characterize the threat of going to war on the Korean Peninsula as low right now. I also agree that our deterrent posture is very strong right now. As a matter of fact, the forces that I have arrayed in the Pacific today are more significant than a year ago right now.

We are very fortunate that we have an exercise ongoing this month in the Korean Peninsula, exercise Full Eagle that is an annual exercise that we conduct with the Republic of Korea. It has been scheduled for a long period of time, so it is not provocative in any nature. That will provide additional troops and additional aircraft on the Peninsula.

In addition, we have arrayed forces within the Pacific to ensure that we, once again, can deter, but not provoke, a conflict on the Korean Peninsula.

Mr. TAYLOR. Admiral, while I have still got you. A conversation prior to the use of force vote, I quoted General Wesley Clark saying that we would probably, if there was a war in Iraq, be there for ten years. The president countered saying, when the heck do you get ten years from? And as I recall, said something to the effect of well, we have been in Korea for almost 50. We have been in Germany for almost 60.

I was struck by the President's response. He said, well, we can leave Korea and Germany any time we want. I think maybe a couple of people in this room probably heard that. Again, I do not

know. I was just curious if you were getting any indication from the administration that it is their intention to either stay for a long period of time, and this really comes back to a military construction (MILCON) question. Are we going to stay for a period of time or is this something that maybe we ought to be spending our MILCON dollars elsewhere. That is the purpose of the question.

General LAPORTE. And that is a very valid question, and it is something that Admiral Fargo and I have talked about a lot. And today, we testified earlier in another committee on that exact matter.

Mr. Congressman, in December of last year, there was a security consultative meeting held between the Minister of National Defense of Korea and the Secretary of Defense. An outcome of that meeting was to conduct—they gave direction to conduct a future of the alliance study initiative.

In October of this year, it will be the 50th anniversary of this alliance. We thought it was a good time to review this alliance in terms of roles, missions, force structure and basing. We are in the process of doing that. The decision was to initiate that study once the new President Roh Administration had taken over. And in fact, a day after the administration took over, our Department of Defense personnel were there beginning this review. No decisions were made because it is a bilateral negotiation. I think it is a very healthy thing to do and it gives us an opportunity not only to review, but reaffirm our commitment to the alliance.

What results of that in terms of force structure is yet to be determined.

Mr. TAYLOR. And you expect that again this summer?

Admiral FARGO. The results of that? I think it will be within the next six months. That is our desire, prior to the next security consultative meeting, which would be scheduled some time in the fall in Seoul in concert with the 50th anniversary.

Mr. TAYLOR. Thank you, gentleman. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from New Jersey, the chairman of the unconventional warfare and terrorism subcommittee, Mr. Saxton.

Mr. SAXTON. First of all, thanks. Let me express my personal thanks for what you and your folks are doing. We all appreciate it very much.

You both mentioned deterrent posture a couple of times. We understand how important that is and we understand the concept. I became a little bit concerned or confused, maybe is a better—confused, probably, knowing me when I heard Secretary Rumsfeld say a week or so ago that we were considering the possibility of moving some American troops away from the DMZ and possibly out of South Korea. Would you discuss that in terms of deterrent posture?

General LAPORTE. Well, we have forces throughout the Peninsula, as you are well aware. We are in approximately 100 camps and stations. We have always had a desire to consolidate our forces, in fact, two years ago and it was finally approved this past fall by the Korean National Assembly. We have a plan called the Land Partnership Program.

Mr. SAXTON. What was this?

General LAPORTE. Land Partnership Program. And it is a partnership between the United States and Korea, and the goal was to consolidate from 41 major installations to 23 major installations—to scale and improve force protection, increased readiness, and it was a self-financing program where the Republic of Korea would be able to take the land that we gave back to them, sell it, and then buy land that would be more appropriate if it was in the right locations. So, we have always had a desire to restructure the basing that we have in South Korea.

This future of the alliance study that I just mentioned will really tell us in greater detail in terms of the future force structure. I think it is more important to talk about capabilities than necessarily force structure.

We want to provide a significant amount of capabilities to add to the national security of the Peninsula of South Korea. The capabilities of both the South Korean military and the United States military have increased significantly in the past five years, and that is where we need to look to the future is not just a number associated with force structure, but a capability, and it is an enhanced capability, not a lessening of a commitment to a very staunch ally.

Mr. SAXTON. Does it concern you at all—I am just asking this question. There is no inference that you are wrong or anything like that. You are obviously the expert among other experts dealing with this subject, but is there a concern that it may be perceived by the North as something less than strong deterrence?

General LAPORTE. Well, I do not think we should ever turn a blind eye to North Korea. I mean, that is one of the main purposes for us being there. I think we will—whatever solutions that we end up with will be a very, very strong deterrent force because of the capabilities it will have.

Mr. SAXTON. Thank you.

Admiral Fargo, on another subject, some of our special forces are now in the Philippines. I understand that because of Philippine constitution, their activities are somewhat limited. Would you discuss that with us and tell us how you see it. Is there a solution?

Admiral FARGO. I would be happy to. First, I think it is important to recognize that the Philippines is a good friend and has been tremendously supportive in the Global War on Terrorism, and certainly, we would like to help them with their problems as I mentioned in my opening statement with the Abu Sayyaf Group, especially since they have been somewhat effective against them.

The forces that we have right now in the Philippines—and we are doing a great deal for them right now. We have got 300 people in Zamboanga in southern Mindanao that are there to really do three things. One is to facilitate the security assistance effort and also to advise and assist the armed forces of the Philippines.

That security assistance effort, which you provided some \$25 million for over the last year, is providing a number of things that we think will improve their long-term capability to deal with terrorism. It is providing training for light reaction companies, for their battalions to give them the right skills, a night vision capability to allow them to go in and medivac people out at night, as well as

teaching them how to fuse intelligence into an operation with the proper planning.

So, that is the purpose of the 300 folks we have down there. We had a very successful operation about—that ended on the first of August on Basilan Island. This operation was—once again, this exercise, excuse me, was designed to train and advise and equip the armed forces of the Philippines.

The net result of that was that by helping them, we were able to allow the armed forces of the Philippines (AFP) to separate the terrorists from the people. That was really the objective.

Mr. SAXTON. I thank you both.

The CHAIRMAN. I thank the gentleman.

Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Thank you, Admiral and General for being here before us today. I think some of the questions you are hearing from our side is because we are very concerned. We are not out in the Korean Peninsula right now and you all happen to be out in that part of the world trying to assess what the real crisis is with respect to North Korea and what our potential fighting forces—if something does go the wrong way out there in the near future, what we can really do and what we can really anticipate.

I believe it was a couple of weeks ago, we had the Secretary of the Army and others before us and we—somebody asked the question about what if we were in Iraq and a front opened up on the Korean Peninsula. And I think the answer we got back was, it just better not because we do not have the troops. We have our operational forces, basically in Iraq right now with respect to the Army. Basically, the answer back, from my understanding was, "It better not happen".

So, you juxtapose that against Defense Secretary Rumsfeld coming before us and saying, you know, we are looking at eliminating some of our troops in the DMZ area and we have become concerned, especially when you tell me that it is really conventional—a conventional army sitting on the other side of that. We are trying to assess, what is the truth here. Do we have enough forces there if something should happen? Do we really have them all operationally somewhere else in the world? Can we really remove troops in a significant way from the DMZ? What is the feeling? What is the feeling going on in South Korea with respect to having our troops there?

Either one of you could answer that.

Admiral FARGO. Let me start out with the first part of that, just to make sure we have got a correct picture of our force posture right now in the Pacific, and then I will turn it over to General LaPorte.

The Pacific—the Asian-Pacific force structure that I am responsible for, as I mentioned earlier, is actually more significant today, and the posture in place is stronger today than it was a year ago at this time. And we made very significant deployments to southwest Asia as a country, but the Asian-Pacific structure has been largely untouched. All of the forces remain on the Korean Peninsula. Japan is at the normal levels of strength.

Air forces—our Pacific Air Forces have not had to deploy in any numbers to southwest Asia. The 25th Infantry Division is still in Hawaii. The Third Marine Expeditionary Force is still in Okinawa. So, our force structure in the Pacific has been largely untouched.

Ms. SANCHEZ. General.

General LAPORTE. We have 37,000 service members that are stationed there on a permanent basis. We have a tremendous ability to reinforce those 37,000 service members from all our components—from our air, naval and ground components, if required.

We spend a tremendous amount of time not only training the forces on the Peninsula to execute their missions, but also the forces that come to the Peninsula.

Admiral Fargo mentioned the training event that will start when I return next week, reception staging, onward movement and integration. The training is designed to receive forces from off the Peninsula and immediately get them integrated into a role that they would add to either deterrence or in a combat role.

We train on that all of the time and it is a very important mission. Again, we are part of an alliance. I command a Combined Forces Command, both ROK and U.S. forces. And the ROK military is a very, very capable military. It is well trained. It is highly motivated. It is well led. And they have very good equipment.

We train together all the time, so interoperability issues have been resolved to a minimum.

The CHAIRMAN. General, you might mention, in response to that question, the force structure of the ROK forces.

General LAPORTE. They have—

Ms. SANCHEZ. Are you going to make sure I get time for my second question, Mr. Chairman, since you kind of asked another question?

The CHAIRMAN. Absolutely, but this is an important part of the response.

If you put some numbers to that with respect to the ROK, that would be good.

General LAPORTE. They have over 500,000 personnel on active duty. They have 24 divisions on active duty and they can mobilize up to 42 divisions. And they can mobilize in less than five days. They also train to that.

The point I am trying to make is, as being part of the alliance, the Republic of Korea contributes a lot to the alliance. Their capabilities have also increased significantly in the past five years.

We are always concerned about the threat up north. But today, I am very comfortable with where we sit relative to the forces we have on the Peninsula and the forces that I have currently involved with training on the Peninsula for the next 30 to 45 days.

Ms. SANCHEZ. Okay. So, then, just a quick response from each of you with respect to—I really believe it is almost like two and a half wars or fronts on our hands—the war on terrorism, which indications like the Philippines and other areas is draining our troops, the possibility of North Korea, and also Iraq. Can we handle all of that at the same time? That would just be a very quick question to you.

The second question would be to the admiral who talked about needing, in response to Mr. Skelton's question, "What do you

need?" You talked about missile defense. Just as a label. I am supposing you mean theater missile defense versus national missile defense with respect to your ability to handle your responsibilities in that part of the world.

And then, third, I would just like an assessment of, because we are spending so much time on North Korea and Iraq right now, what do you think is happening or is there any posturing or anything going on between China and Taiwan with respect to the situation we always find ourselves in right there?

Thank you, Mr. Chairman.

Admiral FARGO. I guess there were three questions there, so let me see if I can—I will start from the top. First, we have a force sizing construct that allows us to win a war, swiftly defeat the enemy in another effort, and handle lesser contingencies, and that is the range that you covered, and I certainly think we can do that.

The second piece is missile defense. We have actually taken all of these programs and put them under the term of the rubric of missile defense. Obviously, the piece of it that I am most concerned with is being able to defend our forces both ashore and at sea from short-range and medium-range ballistic missiles. And the third piece is China and Taiwan. Right now, that situation and the rhetoric on both sides of the Peninsula is relatively calm.

Ms. SANCHEZ. General.

General LAPORTE. I will answer the question that really applies to the Peninsula. I am confident as we sit here today that we could defeat a North Korean attack into South Korea if it was to occur.

Ms. SANCHEZ. Even if we have what we anticipate—what we will have in the next few days, a war in Iraq on our hands as well as the terrorist threats that we are vetting out throughout the world.

General LAPORTE. Yes, ma'am. I am confident that we could do that.

Ms. SANCHEZ. Thank you, General.

Thank you, gentlemen.

The CHAIRMAN. I thank the gentlelady.

The gentleman from Maryland. Mr. Bartlett.

Mr. BARTLETT. Thank you very much.

Admiral, thank you very much for your hospitality when I had the opportunity to visit your command headquarters. It is good to have you with us today.

General, we also, on a prior trip, had the opportunity to visit with a number of your personnel on the Korean Peninsula. We had an opportunity to visit the DMZ. That was a memorable trip.

Our service chiefs, each one of them now are compiling a list of unfunded priorities. Are you all at the table when this list is drawn up?

Admiral FARGO. I think the best way to answer that question, Mr. Bartlett, is that we submit a series of priorities to the Secretary of Defense, an integrated priority list that talks to the programs that we feel contribute in greatest measure to the combat capability that we need in our particular theater.

We articulate those priorities in some significant depth and provide that to the Secretary and of course, that is provided to all of the service chiefs. And then, there is an exchange of information back and forth and questions where we work with the services, the

joint staff and the Office of the Secretary of Defense to make sure that our priorities are well understood.

These processes deal with an assessment of how the services have properly funded our programs. It is conducted by the Chairman and submitted to the Secretary of Defense.

General LAPORTE. I submit my integrated priority list to Admiral Fargo, because I am a subunified commander under his command.

Mr. BARTLETT. If you are uncomfortable with their list and its organization do you feel comfortable coming to us with your needs or do we have to invite you to do that?

Unsolicited, do you feel comfortable coming to us or do we have to solicit that response from you.

Admiral FARGO. Well, I think we get ample opportunity to talk to the Congress. I mean, this is a good example of those types of sessions. So, I am very comfortable with the process.

Mr. BARTLETT. If we asked you for your personal—from your command position, unfunded priorities list, you would give us that?

Admiral FARGO. I, obviously, in my confirmation testimony said that I would provide my personal opinion to any question you asked. Certainly, the way we are structured right now is I provide my unfunded priorities to the Office of the Secretary of Defense and the Joint Chiefs of Staff.

Mr. BARTLETT. That was not quite my question. My question was, if we asked you for your list, would you give it to us?

Admiral FARGO. I would provide it, but I would provide it through my boss, the Secretary of Defense.

Mr. BARTLETT. And you would know that we had asked for it.

Admiral FARGO. We will have to figure that out. There is not much he is not cognizant of.

Mr. BARTLETT. You do not feel comfortable coming directly to us if we asked you.

Admiral FARGO. Well, I feel very comfortable testifying in front of this Congress and calling on the Congress and informing the Congress and giving you my personal opinion, but certainly when we are talking about the budgeting process, I ought to submit my recommendations through the chain of command.

Mr. BARTLETT. We want you to do that. We would also like there to not be an impediment in an exchange between you and us. Is that reasonable?

Admiral FARGO. Yes, sir. I think that is reasonable and I think there is a very solid and candid exchange between the unified commanders and the Congress.

The CHAIRMAN. If the gentleman would yield, I think if the gentleman would ask Admiral Fargo what he needs, I think Admiral Fargo has already told him some of the requirements and I think he would continue to give that list.

General LAPORTE. I would just add to what Admiral Fargo said, that I feel very comfortable—Admiral Fargo and I and the other combatant commanders have an opportunity to meet with the service component commanders and the members of the Joint Staff, and they are always soliciting our input. They see their main purpose as providing well-trained, equipped units for us.

So, I think it is a very good dialogue that takes place between component commanders, the Department of Defense and the combatant commanders.

Mr. BARTLETT. General, I would like to, for a moment, come back to a question that was raised by Ms. Sanchez. If there was an attack from North Korea that was preceded by an advertent or inadvertent launch of a nuclear tipped missile straight up over North Korea, detonated above the atmosphere, producing a rather robust electromagnetic pulse (EMP) lay down, what is now your assessment of your war fighting capability. How much of that would remain after that incident?

General LAPORTE. Well, definitely it would have an impact on some of our equipment. But we would still be able to function and execute our missions. We train and our equipment is capable of operating at what we call "degraded modes", where you do not have all the capabilities resident or present. But I am very comfortable we could continue to execute our mission. We would do it somewhat differently, but still, to the same level of effectiveness.

Mr. BARTLETT. Are not they now waiving EMP hardening for essentially all the new weapons systems procurements?

General LAPORTE. I am not certain of that.

Mr. BARTLETT. Do you know, Admiral, whether they are or not?

Admiral FARGO. I cannot answer the technical side of the question. I can tell you that in our planning efforts and the guidance we have received from the Secretary of Defense, we consider EMP.

Mr. BARTLETT. Thank you. I would encourage you to go back and ask your units how much of their war fighting capability would remain if there was an EMP lay down and all of the computers and their equipment, all the microelectronics and their equipment was now non-functional.

Thank you very much, Mr. Chairman.

The CHAIRMAN. I thank the gentlemen. We will be—let me see, we will be moving on here. Before we do that, let me just exercise my discretion and—just following Mr. Bartlett's question, and I think with the partial answer that you gave earlier, you believe that you need to have a more robust missile defense capability.

You sure would not turn down more Patriot Advanced Capability-3 (PAC-3) units. Is that right?

Admiral FARGO. That is correct. Mr. Chairman, I think we do need to be able to deal with, as I said, the short-range, the medium-range ballistic missile systems. PAC-3 is one capability that we feel we need. We also need a capability to deal with a terminal and mid-range efforts from the sea, also.

The CHAIRMAN. And you mentioned Predators? You need to have a more robust Predator fleet?

Admiral FARGO. Well, the Predator has certainly shown itself to be tremendously capable in the Global War on Terrorism.

The CHAIRMAN. General LaPorte, was that your comment on Predators?

General LAPORTE. Part of this would be a subset of the entire intelligence, surveillance and reconnaissance (ISR) capability that we could prove.

The CHAIRMAN. So, you need more command, central communications, and computers (C4)/ISR assets? You need more airlift, sea-

lift? You would like to see a more robust set of airlift and sealift dedicated to the theater.

General LAPORTE. That would give us great capabilities in terms of reinforcing the Peninsula and also to do regional contingencies.

The CHAIRMAN. And a greater store of precision munitions?

General LAPORTE. Yes, sir.

The CHAIRMAN. Okay. I think we have got a few of the questions answered here that Mr. Bartlett was highly interested in.

Thank you. The gentlelady from California, Ms. Tauscher.

Ms. TAUSCHER. Thank you, Mr. Chairman, Admiral Fargo, General LaPorte. It is good to have you here.

I read some really alarming reports about the state of Japan's preparedness. Even today's Wall Street Journal talked about the fact that if North Korea launched a missile toward Japan, that they effectively could do nothing to prevent it.

Can you chat briefly about the state of Japan's preparedness? I know that there are political overtones and debate inside of Japan about the investments and the posture they want to take, but certainly as an alliance partner, they are key to us. If you could both just briefly talk about it—especially vulnerability.

Admiral FARGO. Yes, I would be happy to. We have a joint program with Japan right now that is in the research and development phase that deals with missile defense. I think Japan recognizes very clearly that this is a serious concern based on all we know about missiles and proliferation.

So, this program is moving forward. I think the Japanese are very attentive to this and it is a capability, as I mentioned earlier, I think we recognize as necessary throughout the theater.

General LAPORTE. Japan is not in my area of responsibility. Admiral Fargo really has that in his.

Ms. TAUSCHER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady.

The gentlelady from Virginia, Ms. Davis.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

Admiral Fargo, since we are talking about Japan, if they were to not agree to allow the home porting of one of our nuclear carriers, what effect would this have on our ability to surge in the region should a war break out in the Korean Peninsula.

Admiral FARGO. Well, obviously, that is a hypothetical question. I think our relationship with Japan is very strong. My view is that the Japanese both value the presence of the carrier battle group in northeast Asia and certainly support its presence.

Mrs. DAVIS OF VIRGINIA. General, how necessary is the presence and the ability of the carrier battle groups to surge to Korea in the event of a war.

General LAPORTE. Ma'am, Admiral Fargo gives me all the carriers that I need. The Navy is not under my responsibility; it is under Admiral Fargo's.

Mrs. DAVIS OF VIRGINIA. Okay. Then, Admiral Fargo, considering we have about six carriers engaged in operations right now surrounding Iraq, what is our ability to surge more to the region if a war were to break out on the Korean Peninsula?

Admiral FARGO. Well, we have a lot of options. I will not go into the specifics of those in an open session, but certainly, as I men-

tioned, we have another carrier on the West Coast of the United States that is—would be available. Certainly, as I mentioned, we have USS Nimitz going in behind Abraham Lincoln. One of those two carriers is going to be in the Pacific the vast majority of the next couple of months.

So, we have options to move additional aircraft carriers should a situation develop that would demand it.

Mrs. DAVIS OF VIRGINIA. Well, from 1998 to 2001, we gapped our presence for the aircraft carrier battle group to within three steam days of the Taiwan Strait for 336 days. Do you see this situation improving in the near-term, and what are the near-, mid- and far-term risks associated with the gapping of our presence within the three steam days?

Admiral FARGO. Well, I think the current situation reflects exactly what we believe to be important. We moved the USS Kitty Hawk to the gulf because she was ready and in a position to and it made great sense. At the same time, we also thought that it was important to maintain continuous presence within northeast Asia and that is the reason that Carl Vinson is in the Western Pacific right now.

So, I think those steps reflect the degree of importance that we place on this issue.

Mrs. DAVIS OF VIRGINIA. If I heard the answer correctly earlier, and I do not remember who asked it, you said—I think it was Mr. Skelton—that we only have one carrier battle group in the Western Pacific that is stationed there permanently. Is that correct?

Admiral FARGO. That is correct. We only have one that is homeported there in the Western Pacific. That does not mean we cannot deploy carriers there and we do not routinely deploy other carriers into that region.

Mrs. DAVIS OF VIRGINIA. Well, if I am correct, the 2001 Quadrennial Defense Review (QDR) called for the U.S. to homeport a second aircraft carrier in the Western Pacific, and we have not done that. Is that correct?

Admiral FARGO. I will have to check what the actual word said. It talked to an increased presence of aircraft carriers in the Western Pacific, not homeporting.

Mrs. DAVIS OF VIRGINIA. Thank you, Admiral.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady.

Mr. Langevin.

Mr. LANGEVIN. Thank you, Mr. Chairman. Thank you, gentlemen, for your testimony today.

Like many of my colleagues, I am very concerned about Kim Jong Il's increasingly volatile rhetoric and aggressive pursuit of nuclear weapon capabilities. Certainly, he has made a conscious decision to escalate tensions over this situation.

As the U.S. continues to assess the potential threat of North Korea, how confident are you in our ability to gain accurate intelligence about their capabilities and their intention. What can the Congress do to improve intelligence operations in Korea? Probably more importantly, in your experience and from your vantage point, how do you see the situation in Korea playing itself out? What do

you see as the next steps that North Korea would likely take or would likely take given the situation?

General LAPORTE. I could give you a very detailed answer to your question, Mr. Congressman, in a closed session, but let me attempt to address it.

We have good capabilities of monitoring the capability, the conventional capability of the North Korean military. The intent of Kim Jong Il is very difficult to determine because it is such a closed society and they do not allow much access from external forces.

So, it would be very difficult for us to know the decision making process and the intent. But in terms of its conventional capabilities, we have a good opportunity to observe. Could we enhance that? Yes. I am talking about indications and warnings of a potential attack.

If we were to get into combat, our ability to find the weapons systems that he has and the troops would be of great concern to us, because he has developed a tremendous underground capability in terms of underground facilities that he has dug over the years. So, being able to identify these with precision and then being able to take direct actions against him is something that we would work on.

I am sorry. The second part of your question was——

Mr. LANGEVIN. The second part of the question was, from your vantage point, how do you see this situation playing itself out? What do you—your best estimate? Where do you see this going? Where do you think their next steps could be or would be?

General LAPORTE. Well, I think he could continue to increase tensions through many, many ways in terms of testing a missile, having some type of provocation with a reconnaissance aircraft along the Demilitarized Zone, in the transportation corridors that have been developed, possible provocations out in the West Sea.

There is the possibility that he could do it on underground nuclear tests. I do not think that would be the case, but those are all continued escalatory steps to gain his political end-state, which is to guarantee the survival of the regime and to gain economic assistance for his failed economy.

Mr. LANGEVIN. Admiral.

Admiral FARGO. I agree with General LaPorte. I would not be surprised to see further provocations of some variety. I think what is important here is that we work with our regional allies, with Japan and the Republic of Korea. China obviously has a vested interest in this, too. It is important for North Korea to understand that this is unacceptable behavior from not only a regional standpoint, but an international standpoint.

Certainly, the ability to produce nuclear weapons grade material and proliferate it is an international concern. He needs to understand that this kind of behavior is not going to further his objectives.

Mr. LANGEVIN. Thank you, gentlemen.

The CHAIRMAN. I thank the gentlemen.

The gentleman from Georgia, Dr. Gingrey.

Dr. GINGREY. Mr. Chairman, I do not have a question at this time. Thank you.

The CHAIRMAN. Ms. Bordallo, the gentlelady from Guam.

Ms. BORDALLO. Thank you very much, Mr. Chairman. I would like to welcome Admiral Fargo. It is nice to see you here again. We see each other quite often coming from Guam and General LaPorte. I thank you both for coming to testify before the committee.

I would first like to thank you, Admiral, for the comments you made this morning at the military construction hearing regarding securing MILCON funds for the Navy and Air Force's typhoon recovery efforts on Guam.

I want to work with you to keep up the pressure to deliver the emergency recovery funds for our troops. Their housing and base facilities must be repaired. We know that. I appreciate your presence and the general today to draw our focus to the issues you face as commanders of the U.S. Pacific Command and the U.S. Forces Korea.

It is because Guam is so intimately involved in these issues that I strongly support the work that you both do. And I have a couple of questions.

The first has to do with South Korea. Secretary Rumsfeld has recently stated his desire to move U.S. troops from South Korea. He suggested that U.S. forces be arranged at an air hub and sea hub where they would have more flexibility to respond to this crisis.

As our Chairman Hunter noted in his recent Wall Street Journal opinion piece, Guam has seen an increase of temporarily stationed forces. We would certainly—and we certainly support the idea of more permanently stationed forces, fully utilizing both our air and sea facilities.

What role do you see, Admiral, for Guam as a permanent hub for the U.S. forces, ready to respond to events not only on the Korean Peninsula, but, say, any other areas in the Pacific or Asia that might be facing a crisis.

Admiral FARGO. I think that is something I think about very frequently and it is a big part of our planning at the Pacific Command. First off, let me tell the whole committee what I have told you a number of times before.

We think Guam is not only hugely important, but strategic in terms of our planning. It has a wealth of ability to support our forces logistically with maintenance capability and, certainly, the capabilities of a place like Anderson Air Force Base and a secure harbor like we have at Apra, are hugely important to us.

With a number of initiatives that are already underway, as you know, we have moved three fast attack submarines to Guam, which is a very logical move based on the submarine tender that we already have there. We currently have a bomber deployment that is at Anderson as we speak.

Certainly, our view is that there are other efforts that might make equal sense in the future. Certainly, Guam's capability at Anderson would be a very logical place to put intelligence, surveillance and reconnaissance assets because of its location; and as General LaPorte and I have both identified, that is a key priority for us in the future.

Ms. BORDALLO. Thank you, Admiral. General, do you have any comments on that?

General LAPORTE. No, ma'am.

Ms. BORDALLO. All right. My second question then is, at the February 13, 2002 budget hearing before the House Armed Services Committee, Admiral Vernon Clark, who the Chief of Naval Operations said to my predecessor that the Quadrennial Defense Review guidance about homeporting additional surface combatants, a cruise missile submarine, and an aircraft carrier battle group in the Western Pacific would be reflected in the fiscal year 2004 budget. Where are we, Admiral, in this review process, and what else needs to occur before the QDR decisions, such as stationing these assets in Guam?

Admiral FARGO. Well, we are conducting a very thorough review in the Pacific Command. As I mentioned in my opening statement, what I am doing is taking the strategic guidance, which is provided to me by the Secretary of Defense and the President, and I am operationalizing that in six particular areas that we expect will make great sense and will answer precisely the kinds of questions that you have posed here today.

We are not there yet. We are still working through this and talking to the Secretary about it, but in terms of updating our plans, looking at our command and control constructs, looking at new operating advantages and deciding what our future force posture and footprint ought to look like, it is a high priority and one that we are working very closely with the Secretary on right now.

Ms. BORDALLO. Thank you very much, Admiral. On my next trip to Guam, I will be stopping by your headquarters in Hawaii.

Admiral FARGO. I look forward to it.

Ms. BORDALLO. I want to thank you, Mr. Chairman, for this opportunity.

The CHAIRMAN. I thank the gentlelady from Guam.

The gentleman from Minnesota, Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman. Thank you, General, Admiral for coming. I apologize again, as we discussed before this hearing began, today is a day of competing committee hearings.

I do not think that you have had the opportunity to discuss much Indonesia in these hearings. It is a huge country, the largest Muslim country in the world, I believe—the site of an attack, a terrorist attack earlier. Many of our friends in Australia, families suffered losses. Can you bring us up to speed on what is happening there, and is that turning into a tinderbox or is it something that you think we have got a pretty good handle on?

Admiral FARGO. Yes, sir. I am a glass that is half-full person on Indonesia. I think—as you point out, this is a tremendously important place; a moderate, secular Muslim government that, certainly, we would like to see succeed. They have been very cooperative on the Bali investigation, and much of what we have learned about the Jamaah al-Islamiyah, (JI) and many of the arrests that have been made, have certainly been facilitated by the Indonesian government.

We have arrested the number three person in the JI as a result of this, so we are making strides here. Part of that effort is a result of the cooperation we have had from Indonesia. They also have a peace accord that is in place with respect to Aceh. That is good. We would hope that that would hold up. And they are trying to create the kind of reform that a fragile and new democracy finds impor-

tant, legislation such that they can separate the military out of the political process.

There is one area that we are not comfortable with: The Papua investigation. We are certainly dissatisfied with that at this point. But fundamentally, we believe that the kind of reform that breeds accountability for the military, a clear understanding of the responsiveness of the military to civilian leadership and a solid respect for the rule of law, are the kinds of things that we ought to encourage, and we are. And programs such as IMET, which was restored this year, we think are tremendously important toward that objective.

IMET is the International Military and Education Training program.

Mr. KLINE. Could you give us some kind of idea as to the extent of that and what, if any, other joint or sort of training operations you might be conducting there?

Admiral FARGO. Well, let me talk about IMET first and also the regional defense counterterrorist fellowships, which are the two programs we are using in the Pacific Command, or will use in the Pacific Command to engage in. Right now, we have a number of officers at the Center for Civil-Military Relations at the Naval Postgraduate School. And we believe that kind of activity is exactly what will reinforce those values that we believe to be particularly important.

We also believe that we need to start programs like English language training; and the best of this military, the folks that will be in key leadership positions for the future, and get them the basic English language training so that they can benefit from our schools in the future.

We still participate in an exercise Navy to Navy called CARAT, which is Cooperation and Readiness and Training Afloat, which provides them a chance to interact with us in non-lethal skills and we continue to invite them to places like the Asian Pacific Center for Security Studies to give them, once again, that kind of grounding that is particularly important as they develop their democracy.

Mr. KLINE. Thank you very much.

Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Ohio, Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman. I also apologize. I have a couple other committees and I do not know if you answered this question, but understanding what North Korea is doing and the missile tests, et cetera, is South Korea the biggest threat from any kind of maneuvering from North Korea, or would you expect some sort of random act.

General LAPORTE. In terms of what North Korea might do, is that your question?

Mr. RYAN. Yes, sir.

General LAPORTE. North Korea is preparing to conduct any type of conventional attack at South Korea. In terms of escalation relative to the nuclear development issue, it is highly likely that he will continue to politically escalate the situation. Potential provocations could be the reprocessing of the spent fuel rods in the Pyongyang. It could be some type of provocation along the Demili-

tarized Zone, in either the transportation corridors or the joint security area. It could be some type of provocation in the West Sea or it could be some type of provocation with reconnaissance aircraft that fly in international air space.

It is more likely that you would see one of those types of provocations as he continues to politically escalate.

Mr. RYAN. Do you have any comments, Admiral?

Admiral FARGO. No, I think General LaPorte has outlined that pretty clearly.

Mr. RYAN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I call on the gentleman from Utah, Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

General, Admiral, I also apologize for coming late, so I will make up for it by leaving early. So, if you have answered this question, I apologize and I will read it in the minutes, but I have a special interest in the Philippines. And I was wondering if you have not so, if you would comment simply on the political realities. Has that hampered our efforts to assist them? Is the area basically still confined to the south or is it spreading northward. And specifically, do you have recommendations where we can be of assistance in helping you in that particular area.

I also—my kid speaks Tagalog, but I realize that does not help very far past south of Manila down there. And specifically, are we providing you with enough information. Is our language program that we are providing in need of more revenue and enabled to expand into areas like this where we have specific languages? Is the training adequate to get you the information that you need in that particular place.

Once again, if you have already covered those, I will wait and read it later. I apologize.

Admiral FARGO. I covered some if it, but let me add a little bit to my original comments. First of all, in regard to your specific question on language training, I think we are in pretty good shape there, really, in terms of the Philippines. I go through and look at where I am short on linguists and cryptolinguists and the Philippines is not one of those areas, so I am pretty comfortable with that.

Once again, I think we are continuing to look for ways to help the government of the Philippines for all the right reasons. They are a mutual defense treaty partner of many, many years. They have been a staunch supporter in the Global War on Terrorism. You have done a lot already. The money that you have provided for security assistance, the security assistance program that allows us to meet our long-term objective, which is to ensure the AFP has a sustained capability to deal with counterterrorism, that is really key.

We want to—you know, this will not be a one-year program. It will be something that will have to continue over a number of years to ensure that they can do—that they can be effective in dealing with these different terrorist groups.

Mr. BISHOP. Thank you, Admiral.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentlelady from San Diego, my distinguished colleague, Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you. Thank you, Mr. Chairman and welcome to you, Admiral Fargo and also to General LaPorte. A belated congratulations to you.

We have touched on a number of issues already and I apologize, as well. We are trying to do several things at one time here.

The issue of cryptolinguists and linguists just came up and perhaps you addressed it earlier and you just mentioned where we are really short in this. And I am wondering whether we are putting the proper emphasis, whether we are putting it in the right place when it comes to the training, the deployment, use of reserves. What could and should we be doing more, because one of the issues that we continually hear about is the fact that we may have all the equipment in the world, but if we do not know where the bad guys are, it is not going to help.

If you have addressed this fully earlier, I—

Admiral FARGO. I have not addressed it fully and I would be happy to provide a few thoughts on this. You know, cryptolinguists are really a difficult discipline, because you not only have to have the language skills that allow you to be a cryptolinguist, but you also have to have the cryptological training that allows you to employ that language skill effectively.

So, it takes time to develop these folks. I think the things that you talked about are all parts of the solution. Certainly, we need to recruit people that can make a contribution in this area very specifically that have those right language skills. We need to make sure we have got good databases of our people in the reserves that have these language skills and then provide them the appropriate training so we can target those reserve capabilities in the right direction. And we also need to look at native speakers, too.

So, all three of those are probably parts of the solution to ensuring we have got the right capacity in terms of linguists and cryptolinguists.

Ms. DAVIS OF CALIFORNIA. As you look at the priorities that we set and whether or not we are really giving it the attention and some of that may be, you know, basic education as well in terms of changing the way our schools really approach the whole issue of being multilingual.

Is that an area that gets really short shrift, and what should we be doing then?

Admiral FARGO. Well, this is a personal opinion and it is not based on a lot of data, but certainly, I think, language skills in our secondary schools or high schools, even starting earlier than that is very important.

When I travel in Asia, I find that most of those countries have multiple language skills. We need, obviously, a broader base of Americans with these skills that can make a contribution, not just on the military level, but on the economic level, on the diplomatic level and so on.

So, I would certainly encourage any effort to broaden that within our educational system.

Ms. DAVIS OF CALIFORNIA. I guess what I am looking for is having that rise to the issue of national security and whether there is

really a role to play there, and perhaps when you are sitting and working through the priorities that we set, perhaps that could get better attention. If we need to be pushing harder, I would appreciate knowing that. I think you are suggesting that.

But we may need to be doing something quite dramatic in the way that we address that issue, because I do not think it is going to get better if we do not.

Admiral FARGO. Well, I think it is important to America and in the environment we are going to see ahead. It is a very globalized world.

Ms. DAVIS OF CALIFORNIA. On just a few other quick questions. I think you raised the specter and the need, really, to gain, of course, more intelligence and to work in a way that we locate underground facilities in Korea and I know there are certain things that you cannot go beyond that, perhaps, in this testimony.

But that would be a great concern in terms of what we would need to do to further our interests in understanding that better and whether we are getting—is that getting the attention it deserves. Are we focusing enough attention on how we determine the extent to that—the extent to which that exists and would be used against South Korea or other countries in the region?

Admiral FARGO. My sense is that we are very focused on this in the Department of Defense. It is part of all of the discussions that I have with the senior leadership. I think we recognize this very clearly today, and people are pressing hard to find ways to improve our intelligence capability across the full-spectrum of its contribution.

General LAPORTE. I agree with Admiral Fargo. I think we are focused. This is an adaptive behavior that North Korea adopted to protect itself from our intelligence capabilities and our tremendous air capabilities. So, they have gone underground.

We focus on this because that is where the threat is that we are going to have to address if the time comes.

Ms. DAVIS OF CALIFORNIA. And just finally, night vision equipment—does everybody have proper equipment and night vision. Do they have it fully in Iraq? Perhaps not in Korea or is it—is it all over? I know when we visited Afghanistan back in July, it was a concern that they did not have enough equipment for night vision.

General LAPORTE. I am comfortable with the—our service members have been equipped, both our aviators and our ground component forces with the night vision equipment that gives them a distinctive advantage at night.

Ms. DAVIS OF CALIFORNIA. Thank you very much.

The CHAIRMAN. I thank the gentlelady.

The very distinguished gentleman from New Jersey, Mr. LoBiondo?

Okay. And the gentlelady from New Mexico, Ms. Wilson.

Mrs. WILSON. Thank you, Mr. Chairman. I also apologize for being in two places at once today. I thank you both for coming here. As a young lieutenant, my first assignment was at intel center Pacific. And, of course, that meant I was really the officer in charge of beach volleyball and little else of use, but I appreciate you being here and the challenges and the responsibilities that both of you have.

I did want to ask you about China. This is more of a long-term question than a short-term one. We know that they have purchased or are in the process of purchasing eight submarines, at least, from the Russians that may pose a threat to Taiwan, but also may challenge our power in the region. They are increasing the accuracy of their short-range ballistic missiles using U.S. Global Positioning System (GPS) data, as I understand it.

And we are seeing defense budget growth there, which if compounded over time, may change some things in the region that you have responsibility for. And I wonder if you would reflect with us a little bit on the mid- and long-term threats you see from China, and what your perspective is on that.

Admiral FARGO. Well, I think that China is—certainly their economic growth right now, which is pretty substantial; there are lots of numbers thrown around in the neighborhood of ten percent a year—has fueled a military modernization, if you will.

And it has included precisely the pieces that you have identified—the number of kilo submarines that they are purchasing, have purchased and are purchasing additional ones from Russia. They have bought a Sovremenny-class ship and the associated missiles, and as you have pointed out very clearly, they have also invested significantly in expanding their short-range and medium-range ballistic missile capability.

This is something that we pay very close attention to. It has not reached a point that I feel that the balance across the strait is out of balance at this point. But fundamentally, the larger issue is what is the intent. And certainly, we would be much more comfortable, and would encourage China to discontinue the statements that they might use force to resolve this particular situation.

Mrs. WILSON. I know there are limitations in this setting, but are there anything—is there anything you see with respect to North Korea and its relationship to the Chinese military that causes you any additional concern on the Korean Peninsula.

Admiral FARGO. My view is that China, first of all, has stated that they believe it is important to have a non-nuclear, a nuclear-free Korean Peninsula. And I believe that is their honest view; that they see it in their best interest to have a nuclear-free Korean Peninsula.

Mrs. WILSON. General, do you have anything to add to that?

General LAPORTE. No. I think it is very difficult for us to make assessments of China's military interaction with North Korea. I believe it is limited, but I really could not give you a good answer on that.

Mrs. WILSON. One final question that has to do with seaborne ballistic missile defense and its potential initial operating capability. How important is that capability to you in the Pacific?

Admiral FARGO. Well, I would say I think it is pretty important. The ability to be able to move a ship, to provide a missile defense capability is hugely valuable to me. One of the problems is nobody's crystal ball is completely clear here as to what threats will emerge and where they will emerge based on the kind of proliferation that is potential and in the world today.

And so, the ability to move a ship and to provide a missile defense for forces both ashore and in the sea, I think would be a huge advantage.

Mrs. WILSON. Thank you. I know it is a long hike to get here and I appreciate your willingness to spend some time with us today. Thanks.

The CHAIRMAN. I thank the gentlelady, and I want to recognize the Ranking Member, the gentleman from Missouri, for another question.

Mr. SKELTON. Mr. Chairman, thank you very much. Admiral, headlines in the Washington Post a good number of days ago talked about additional American troops to the Philippines. And there seemed to be a problem that somebody on their side, it appeared, did not see that there was a constitutional impediment. Has that been cleared up?

Admiral FARGO. Mr. Skelton, I think we are working very closely with the Philippines at my level of the armed forces of the Philippines and certainly with the government of the Philippines.

I think the Philippines very much would like to continue this partnership that we have had in terms of the United States providing them help for their fight. I mean, this is very clearly—

Mr. SKELTON. No. I understand that. But there is a constitutional—Philippine constitutional problem. Has that been overcome?

Admiral FARGO. The Philippine constitution talks to the foreign forces being present in combat operations on their soil. We have no intention in the past or in the future of putting together any plan whatsoever that violates the Philippine constitution. I mean, I am not going to do that. That is not our way.

Mr. SKELTON. But we can still be of help to them, I hope.

Admiral FARGO. I think we can still be of help to them. We certainly were a huge help to them in the Basilan exercise that we conducted that was called Balakatan.

Mr. SKELTON. Is our help on track?

Admiral FARGO. I think our help is on track. I have made pretty clear proposals and I think that they will be along the lines of training and advising and assisting the armed forces of the Philippines.

Mr. SKELTON. Thank you, sir.

General, the International Herald Tribune quoted the South Korean defense minister as saying that South Korea had not been informed of the possibility of troop movements to the south. He was of the opinion that his government would not discuss such movements until after the present crisis is passed.

Would you comment on that, please, sir?

General LAPORTE. The minister of defense Cho has been the minister of defense for about 10 days now. I have met with him twice since he has taken office—once in my headquarters and then the evening before I came to Washington, I met with him.

His staff, his Minister of National Defense policy staff is involved with the Office of the Secretary of Defense policy staff in discussing the future of the alliance in terms of the roles, missions, structure and basing that I talked about earlier.

I have not had a chance to talk to Minister Cho. I saw the same comment, so when I go back to Korea, I will be meeting with the minister and talking to him.

Mr. SKELTON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Absolutely. I have got—Mr. Saxton has got another question, and so does Mr. Taylor. So, Mr. Saxton, go ahead.

Mr. SAXTON. I would like to discuss the issue of smallpox as it relates to the region—your area of responsibility. There was a newspaper article that ran in the New York Times in June of 1999, which raised suspicion that both Iraq and North Korea had acquired weaponized smallpox.

A Russian defector to this country, who most of us on this committee know at this point, Dr. Ken Alibek, said in secret briefings that Russia had grown vast quantities of smallpox virus for war and that Russian scientists sought new ways to support themselves when the Soviet system collapsed. Samples of the virus might have been sold or hidden. In May 1994, a report by the Defense Intelligence Agency (DIA) citing an unidentified source, whose credibility had been questioned by some experts, echoes Dr. Alibek's worry.

It said that some of the Russian smallpox had been sent to Iraq and North Korea, naming no other nations. Another discovery prompted even a stronger suspicion that Iraq was working on smallpox, which is not in your area of responsibility (AOR), but still part of this story. In the mid-1990s, inspectors found a special apparatus for freeze-drier labeled "smallpox" at a maintenance shop of the state established for medical appliances marketing.

I guess, in short, my question is, can you comment on what your expectations of the capabilities of North Korea, and if you want to venture over to Iraq, that is fine, too.

If it is information you cannot discuss, you can say that, too.

General LAPORTE. I think I could give you a better response in another setting than this setting.

Mr. SAXTON. That is fine. We will do that. Thank you.

The CHAIRMAN. The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you. General LaPorte, I read with some dismay on page 26 of your testimony about the pay disparities between a soldier in Bosnia and a soldier in Korea and particularly given the level of threat as articulated by the President and people in the press, I was curious if in this year's defense budget request the President had addressed that, or is this an unfunded priority of yours?

General LAPORTE. I appreciate the fact that you read my testimony and pulled that out. To be honest with you, Mr. Congressman—

Mr. TAYLOR. I wish you had mentioned it in your testimony.

General LAPORTE. It is a concern of mine. It was a concern of my predecessor that there is a paid disparity for service members who serve in Korea compared to service members who were serving overseas and other areas. Service members in other areas get tax relief. They get to keep their separate rations. They get hazardous duty pay.

The service members in Korea are not allowed to keep their separate rations. They have no tax relief. They have no cost of living

allowance given to them that other service members get. They do receive a hardship duty pay. The service members in the Second Infantry Division receive \$150 a month and all the other service members in Korea receive \$50 a month.

This is a challenge to us as people consider having an assignment to Korea. Financially, they can look around and say it is a much better deal to go to Kuwait or go to Bosnia than it is to go to Korea. So, it is a concern to us. It is an unfunded requirement.

The services have, perhaps, the opportunity to pay a distribution incentive pay. That is being discussed, but basically, it is an unfunded requirement. But I keep raising it because I think it is the right thing to do for the service members.

Mr. TAYLOR. And to that point, are you prohibited from writing to members of the committee that have responsibility for personnel and pay matters, a letter making them aware of this?

Again, it was buried in a fairly large packet of information. I think that is something that the members of that subcommittee very much need to be aware of. I think a letter from you would go a large way towards addressing that if you are in a position where you can do that.

The CHAIRMAN. If the gentleman would yield.

Mr. TAYLOR. The general could consider that we have elicited further information. A letter, if he could send it to us, but I think the key here is to have him give us the disparity between what folks in other theaters receive and what you receive in Korea. You said that they get \$150, separate rations in the Second Division. But if you got all of the treatment, all the tax treatment and the pay treatment you get in other theaters, what would that mean to the E-6 and maybe an O-1, O-2.

General LAPORTE. Mr. Chairman, I can provide that to the committee. I have given it to other members as they have toured Korea, but I would be more than happy to provide that. I provided that to the service chiefs and to the Department of Defense.

Mr. TAYLOR. If I may, General, that would be more like a rifle shot at the target than a scatter shot over a sprinkling of Congressmen.

General LAPORTE. I will be glad to do that.

Mr. TAYLOR. Thank you.

The CHAIRMAN. Does the gentleman have a question on this point here? Mr. Kline?

Mr. KLINE. I do, Mr. Chairman. Admiral, your soldiers, sailors, airmen and Marines that are stationed in Okinawa and other posts, do they receive the same pay as the generals do in Korea or are they compensated like those in Bosnia and Kosovo and so forth?

Admiral FARGO. Congressman, it is a little different in each location. In Japan, there is a cost of living allowance that is pretty substantial. And of course, it floats based on how the yen moves with respect to the dollar.

The other difference in a place like Japan is that 90 percent of our people are housed in facilities that are pretty modern and have been built for the Japanese facilities improvement program.

Mr. KLINE. Excuse me. I do not want to take up the time. My point is that when we are getting this comparison that we ought

to include not just comparisons with Bosnia and Kosovo, but also other duty stations like Okinawa, for example.

Admiral FARGO. We can certainly do that.

Mr. KLINE. Thank you.

The CHAIRMAN. Sounds good. You know, Mr. Wilson, I am—please accept my apologies. I forgot to call on you when you came in here 20, 30 minutes ago. Do you have any questions?

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman. Actually, I want to apologize. I missed the presentation, but I think the chairman will even accept this. I was invited to a meeting at the White House with the President, so I apologize. But I look forward to reading the materials. I have been reading from the moment I got here, and I want to thank you for your service.

The CHAIRMAN. I thank the gentleman.

And gentlemen, let me follow up on a question that was asked of you earlier. Ms. Davis has left, but I think she asked a question to the effect, are you concerned about intercontinental ballistic missiles (ICBM) or theater ballistic missiles.

We now have a missile defense agency that has taken what I would call a seamless approach to missile defense; that is, we want to be able to defend against slow, medium-speed and fast missiles. And the longer-range missiles happen to be the fastest, and the medium-range missiles happen to be about medium-speed, and the old and the very short-range ones, the ones I call the “Model-Ts” of ballistic missiles, but nonetheless very deadly, Scud-type missiles are the shorter-range and move at a slower speed.

But I have asked this question before. The North Koreans are building the Taepo Dong-2 (TD-2) that has—according to some published reports can get pretty close to the West Coast of the United States.

That missile, a faster missile, a longer-range missile could be shot at American troops in theater, could it not, simply by giving it a higher trajectory, instead of a flatter trajectory, taking it up high and bringing it down fast?

Admiral FARGO. Mr. Chairman, there is a range of missiles out there, and in some cases, because of the speed and trajectory of the missile, there is a minimum range, too. But either way, even if the Taepo Dong-2 missile—if our troops were inside its range, the No Dong missile, and of course, the Scuds, which provide a range of capability on down, are certainly within range of our troops and need to be dealt with.

The CHAIRMAN. Well, I understand that and I understand that we have systems that can handle the slower missiles, the medium-range missiles, and the PAC-3 system, for example, and PAC-2. But my question is, does not it make sense to have a defensive system—if you would have your druthers, to have a defensive system that can handle slow, medium and fast, because there is no law against the adversary shooting you in theater with a fast missile. There is no requirement that they only use slow missiles to take on our troops in theater.

Admiral FARGO. Yes, sir. It absolutely does.

The CHAIRMAN. Have you folks had any folks look at the—or analyze out the potential for just shooting a high trajectory, high capability missile at troops in theater.

Admiral FARGO. I will have to take that for the record. I cannot provide you the kind of answer that you deserve.

The CHAIRMAN. Well, I think we know the answer. I want you to take a look at it.

Admiral FARGO. Sir, will do.

The CHAIRMAN. The reason I say that is I think you hit the nail on the head in response to Ms. Wilson's questions about the importance of being able to utilize seaborne missile defense. Makes sense to be able to picket an area of difficulty, whether it Ps Peninsular or someplace else and protect your troops in that theater.

You want to have, I think, as much capability as possible in that seaborne defense, because you may have to handle fast-moving stuff. And, of course, if you have some fairly fast-moving stuff that is coming at American targets that are a long way off, if you can get them early, in the ascent phase, but you can get them with a high-performance missile defense system. That is obviously a capability you want to have.

So, we are looking at the results of the most recent sea-based test that we have undertaken, which have been pretty good, been pretty encouraging. And I would like to get—as we move down the line, Admiral Fargo and General LaPorte—get your take on what you would like to have in terms of requirements.

But I think the bad guys are looking at the potential of using some fairly high-performance stuff. I think they are going to concede at some point the ability of our Patriot systems to take down the Scuds. I think they are going to move to higher-performance capability and we are going to have to move accordingly or we are going to have a problem.

Does that make sense?

The WITNESSES. Yes, sir.

The CHAIRMAN. Does anybody else want to ask any follow up questions? In that case, gentlemen, thank you for being with us today. Thanks for your service to our country. You have made a little sojourn here to testify. We appreciate that. We look forward to being with you soon on the Peninsula to—General, I know there are a number of members in the committee who would like to get out there and see our troops, so let's keep working this problem in our meetings. I think some of the things we briefed on this morning, I think were very valuable. Let's follow up on that. Hopefully we can do some good things in this coming budget to give you some of the what I would call the leverage items, that I think are important for your area of the world.

So, Admiral and General, thank you.

[Whereupon, at 4:00 p.m., the committee was adjourned.]

A P P E N D I X

MARCH 12, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 12, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Hearing on U.S. Pacific Command and U.S. Forces Korea

Wednesday, March 12, 2003

This afternoon, the committee continues its review of the state of our combatant commands focusing on the U.S. Pacific Command and U.S. Forces Korea.

It is a pleasure to welcome our witnesses this afternoon:

- Admiral Thomas B. Fargo, USN
Commander
U.S. Pacific Command
- General Leon J. Laporte, USA
Commander
U.S. Forces Korea

Gentlemen, we look forward to your testimony.

Today, as the world focuses on the Middle East and a possible conflict with Iraq, we cannot forget that the United States

faces serious challenges elsewhere in the world. Nowhere is this more apparent than in the Far East. The admission by North Korea last October that they secretly continued a nuclear weapons program in the wake of the 1994 Agreed Framework has raised tensions on the peninsula to the highest levels in recent years. These increased tensions have re-opened the discussion as to whether the United States has the force structure and capability to fight and win two nearly simultaneous major theater conflicts.

While this administration's security strategy has evolved from the 2-MTW force sizing mechanism, today we find ourselves facing simultaneous challenges in both Iraq and Korea, a possibility that many military planners considered remote only short while ago.

While North Korea holds our immediate attention, China looms as a long-term concern for the United States in the Pacific. It is clear that China views the United States as a regional and strategic competitor. China has undertaken a military

modernization program in order to diversify its options for the use of force in a variety of situations. The most serious of these situations is of course any potential military action China may take against Taiwan.

Admiral Fargo, I am interested in hearing your views on the China security situation. Of more current concern, I am also interested in hearing about your command's role in the Global War on Terrorism and in particular, about our ongoing activities in the Philippines.

Let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

The entirety of our witnesses' prepared statements will be entered into the record.

Admiral Fargo the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, House Committee on Armed Services
Posture Hearing with Combatant Commanders of U.S. Pacific
Command and U.S. Forces Korea**

March 12, 2003

Thank you, Mr. Chairman. I join you in welcoming Admiral Fargo and General LaPorte. I thank each of you for joining us and for your continuing service.

This committee has been deeply involved in the question of U.S. policy toward Iraq. With a quarter million U.S. forces arrayed in the Persian Gulf, our nation stands at the precipice of war.

Yet I feel deeply and have for some time that the situation on the Korean peninsula could pose greater dangers to our national security. North Korea has long been a leading exporter of missiles around the world. That country's ability to export nuclear materials and weapons cannot be tolerated.

To prevent this, the United States must work with our allies and friends in the region. At one level, this is a regional problem, and the administration is right to work with South Korea, Japan, China, and Russia to find a solution. But the administration must also engage North Korea in negotiations and soon. I greatly fear that, once we are involved in hostilities with Iraq, North Korea will seek to take advantage of our distraction.

I hope that you both will help us understand your command's contingency planning in the event North Korea initiates hostilities toward the United States or other countries in the region, or continues to escalate the current crisis. What efforts are you taking and what capabilities are available to deter further North Korean provocations once the United States begins operations in Iraq? Do we have enough and the right type of forces to provide you with what you need?

General LaPorte, I hope you will also address the issue of U.S. force posture on the Korean peninsula. Press reports indicate that long-

standing basing consolidation plans will involve moving U.S. troops further away from the demilitarized zone. The International Herald Tribune also quotes the South Korean Defense Minister as saying that South Korea had not been informed of the possibility of troop movements and that his government will not discuss any such movements until after the nuclear issue with North Korea has been resolved. Please explain the status of these discussions with South Korea and whether force posture changes will have a destabilizing effect on the current situation with North Korea.

Again, I thank all of you for being with us today and I look forward to your testimony. Thank you, Mr. Chairman.

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DRAFT

STATEMENT OF

ADMIRAL THOMAS B. FARGO, U.S. NAVY

COMMANDER, U.S. PACIFIC COMMAND

BEFORE THE HOUSE ARMED SERVICES COMMITTEE

ON U.S. PACIFIC COMMAND POSTURE

12 MARCH 2003

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INTRODUCTION

Mr. Chairman and Members of the Committee:

On behalf of the men and women of the United States Pacific Command, I thank you for this opportunity to testify on security in the Asia-Pacific region.

Having served as Commander, United States Pacific Command (CDRUSPACOM) over the past year, and previously serving as Commander, United States Pacific Fleet for 30 months, has fortified my belief that a secure, peaceful, and prosperous Asia-Pacific region is of paramount importance to our country and the world. In contrast, an Asia that is uncertain presents grave dangers to our nation and the security of our friends and allies in the region.

We have a number of security concerns, and they are addressed clearly in our national military strategy and supporting guidance:

- Conflict on the Korean Peninsula
- Miscalculation over the Taiwan Strait or in Kashmir
- Transnational threats like terrorism, the proliferation of Weapons of Mass Destruction (WMD), and illegal drug trade
- Instability associated with a failing nation-state or humanitarian crisis, and
- Ensuring the readiness of our forward deployed forces in the region.

We are not facing these concerns alone. Since the terrorist attacks of 11 September and over the past year, we have had unprecedented cooperation in combating and supporting the Global War on Terrorism and backing from concerned neighbors to stop the proliferation of weapons of mass destruction. We have continued to build on the longstanding bilateral alliances and friendships necessary to deter regional aggression and coercion, dissuade military competition, and assure our allies and friends of our commitment to them and the region. We've accomplished this by our forward presence in the theater and by the actions of our forces as they execute tasks and operations

in support of our nation's security. In short, we have begun a journey to "operationalize" the strategic guidance we have received. Our destination is a peaceful, stable, and prosperous Asia-Pacific region.

Last year during my confirmation hearing, I provided five broad priorities for Pacific Command. Since then, I've used the priorities as a roadmap for focusing the command, directing operational initiatives and assessing progress. Today, my intent is to provide you an update on these priorities as they pertain to the defense posture of the U.S. Pacific Command (USPACOM).

Sustaining and Supporting the Global War on Terrorism (GWOT)

Our highest USPACOM priority is sustaining and supporting the GWOT. This includes not only operations in the Pacific, but also as a force provider to Operation ENDURING FREEDOM- Afghanistan (OEF-A), or wherever international terrorism might threaten our interests worldwide. Although we don't have any government-supported sanctuaries for terrorists in the Pacific, terrorist cells and organizations that operate in the region provide unique challenges to USPACOM and to the countries in which they proliferate.

GWOT Update. Regional and local terrorist groups with ties to al-Qaida pose the most dangerous threat to U.S., allied, and friendly interests in the USPACOM Area of Responsibility (AOR). Bolstered by financial and technical support from al-Qaida, the Jemaah Islamiyah (JI) network and the Abu Sayyaf Group (ASG) in the southern Philippines have demonstrated their capability to attack U.S. and Western interests. Our task, in coordination with other agencies, is to ensure these terrorists do not destabilize established governments in the region or threaten Americans or our friends. Regional alliances and partnerships are critical to achieving both our short-term goal of eradicating regional terrorist groups and our long-term goal of establishing a security environment throughout the Asia-Pacific region that rejects terrorism and addresses the factors that breed terrorists.

Southeast Asia witnessed a number of terrorist acts in 2002, including the bombings of tourist nightclubs on the Indonesian island of Bali on 12 October that killed nearly 200 civilians, including seven Americans, and a series of bombings across the Philippines also in October. We believe the ASG was responsible for the attacks in the Philippines that killed at least 22 people - including a U.S. serviceman - and wounded over 200 others. Coincident investigations and arrests in Malaysia, Singapore, Indonesia, Thailand, the Philippines, and Australia have revealed an extensive, sophisticated network, centered on the Jemaah Islamiyah, that continues to plan attacks against U.S. and Western diplomatic interests and less defensible commercial or tourist venues across the region. We have credible information that al-Qaida has long sought to expand its movement in Southeast Asia. By leveraging its connections with sympathetic groups and individuals, some previously trained in Afghanistan, al-Qaida seeks to expand its network and obtain the support of local proponents in establishing a regional pan-Islamic state supportive of radical Islamic ideology.

To meet this challenge, USPACOM and regional governments have strengthened counterterrorism cooperation over the past year. Regional governments have made progress achieving counterterrorism goals through legislation that combats terrorism and its resource methods, by capturing and detaining terrorists, and through interagency coordination and intelligence sharing. To date, over 100 terrorist suspects have been arrested or detained, primarily in Malaysia, Singapore, Philippines, and Indonesia. The U.S. government has designated JI, the ASG, and the Communist Party of the Philippines/New People's Army as Foreign Terrorist Organizations. This action enables us to identify and freeze the financial assets of these groups and sets the conditions for their isolation. Governments in the region are also increasing their cooperation with regional counterparts - forming bilateral and multilateral alliances to combat terrorist activity. ASEAN's plan to establish a regional Counterterrorism Center in Kuala Lumpur, Malaysia is a

noteworthy example. USPACOM continues to support the efforts of these nations to strengthen the rule of law, improve the effectiveness of regional armed forces, and promote democratic ideals of pluralism and religious tolerance. Our long-term effort is to use international, regional, and local relationships to defeat terrorism through coordinated diplomacy, education, information operations, and the use of force when necessary. This is our challenge - and we will meet it.

We've learned a great deal about terrorism in Southeast Asia over the past year: how these entities organize, how they operate, and what they seek to achieve. We realize we have much more to learn and to accomplish. I am convinced that our best approach is to disrupt terrorist activities where we can while helping build our regional partners' capabilities to do the same. It is a team effort.

To better synchronize our efforts in combating terrorism in the Pacific, we have assumed the offensive while putting in place an "active defense." Offensively, we established a full time Joint Interagency Coordination Group for Counter Terrorism (JIACG-CT) at USPACOM Headquarters. Defensively, we designated our Army component, U.S. Army Pacific (USARPAC), as our Joint Rear Area Coordinator (JRAC) for Hawaii; Commander, Pacific Representative-Guam (COMPACREPGUAM) as our JRAC for Guam; and Commander, Alaska Command (ALCOM) as Joint Task Force-Alaska. These command and control constructs are successfully prosecuting the War on Terror while protecting our forces and critical infrastructure.

JIACG-CT. We have established a Joint Interagency Coordination Group for Counter Terrorism (JIACG/CT) to coordinate DoD and other government agency (OGA) activities in USPACOM AOR, develop targets for future military or OGA operations, plan USPACOM regional and country counterterrorism (CT) campaigns, and enhance U.S. and partner nation CT capabilities in support of national objectives in the GWOT. It is an all-encompassing and focused effort, where we are now integrating our Theater Country Teams to assess host-nation

concerns and necessary conditions to proceed with our CT campaign. This team endeavor has been extremely successful as demonstrated by the actions of regional countries that are supporting U.S.-led efforts in Afghanistan and regional operations, like those in the Philippines, while conducting CT operations in their own countries - all in the past year.

Forward and Deployed Forces. Within the last year, the USS KITTY HAWK, JOHN C. STENNIS, CARL VINSON, CONSTELLATION, and ABRAHAM LINCOLN battlegroups; maritime patrol aircraft; USS PELELIU, BONHOMME-RICHARD, BELLEAU WOOD, and TARAWA Amphibious Ready Groups with the 15th, 13th and 11th and 15th Marine Expeditionary Units; 5th, 11th, and 13th Air Forces; and the 509th Bomber and 40th Air Expeditionary Wings have deployed in support of major roles in OEF-A and operations in the Persian Gulf. Further, many USPACOM countries continue to provide tangible support to OEF-A within their means. Australia, India, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, and Thailand have all contributed support ranging from overflight, access and basing to escort, logistics, and troops on the ground. We appreciate their many contributions and valuable cooperation.

Regional Counterterrorism. Information sharing between countries in the Pacific has provided unprecedented insights into the Jemaah Islamiyah (JI) and al-Qaida networks in the Asia-Pacific region. As a result, Singapore and Malaysia have arrested dozens of members of JI, the primary transnational terrorist organization in the Pacific with links to al-Qaida. And Indonesia has arrested suspected terrorist leaders and bombing suspects since the October bombings in Bali. However, Indonesia has a difficult problem and has factions that do not want to aggressively investigate groups within Indonesia sympathetic to al-Qaida. We need to cooperate more effectively at all levels with Indonesia on terrorism. An International Military Education and Training (IMET) program for Indonesia is key to our engagement effort.

The Government of the Republic of the Philippines (GRP) continues to attack terrorist infrastructure and capabilities in the Philippines and throughout the region. President Gloria Macapagal-Arroyo is firmly on our side in the GWOT - strongly supporting the effort. Our advice and assistance, including our maintenance and training packages provided under security assistance authorities, are improving the Armed Forces of the Philippines (AFP) CT capabilities. Operation Enduring Freedom-Philippines (OEF-P) serves as the ideal vehicle for U.S. forces to advise and assist the AFP in the development of skills necessary to fight terrorists. Additionally, the infrastructure improvements to roads, hospitals, and schools and the construction of water wells on Basilan Island under DoD's humanitarian and civic assistance program provide positive impacts on local communities - highlighting America's positive role while assisting the Philippines in dealing with the socio-economic causes that entice disenfranchised Filipinos to support terrorist activities. As a result of this well integrated operation, the ASG is on the run on Basilan and its influence with the local populace there has been dampened.

USPACOM's Antiterrorism Program is proactive and dynamic in its approach to protect our people and resources throughout the Pacific. It is an "active defense" because it has offensive qualities. Since 11 September, we have come a long way in better protecting DoD personnel and critical infrastructure in the Asia-Pacific region.

Joint Rear Area Coordinators (JRACs) in Alaska, Guam, Hawaii, Japan, and Korea are the focal points for force protection, coordinating security measures and intelligence fusion among the different services in their AORs. JRACs provide the command and control construct to synchronize our DoD anti-terrorism/force protection (AT/FP) efforts for military installations and property with federal, state, and local agencies and with the host nations in the cases of Japan and Korea. USPACOM's JRACs are models for interagency coordination, combined scenario-based training events, and unprecedented

cooperation and information sharing. We are working continuously with US Northern Command to standardize and synchronize our efforts and procedures.

USPACOM has an aggressive vulnerability assessment program that covers DoD bases, ports, airfields, and training areas in the AOR that are not under U.S. control. We use assessment teams from the Defense Threat Reduction Agency (DTRA), the services, and our components to ensure our facilities have current assessments and proactive antiterrorism plans. USPACOM personnel work closely with their Department of State counterparts to ensure host-nation support is adequate to protect our deployed forces and that all are employing the latest AT/FP procedures

Force protection is "operationalized" in USPACOM. Our staff continually monitors threat information and the environment in which our forces are based. Theater and country specific Force Protection Conditions (FPCONs) are continually reviewed and upgraded as necessary. Random Antiterrorism Measures are employed to complicate terrorist planning. USPACOM also has a travel restriction program, providing a tool to declare entire countries or portions thereof "off-limits" to DoD members, thus keeping them out of harm's way. In addition, Force Protection plans are required for all travel in our AOR, from major unit deployments to individuals on leave. The resource drain from increased FPCONs is a formidable challenge to both manpower limitations and Force Protection Technology initiatives. Your continued support is necessary to sustain the progress we are making in this area.

Critical Infrastructure Protection (CIP) program and Homeland Security.

Currently, we support Homeland Security and Forward Base security efforts primarily through Information Analysis, Infrastructure/Personnel Protection, and Quick Reaction Forces. The Critical Infrastructure Program is our operational initiative to improve security in the AOR. The program is on track in developing processes and methodologies. The first CIP Appendix to one of our theater Operational Plans (OPLAN) will go to the Joint Staff on 30 April 2003. Additionally, a comprehensive USPACOM CIP Operation Order (OPORD), our

Theater Infrastructure Assurance Plan, is in final staffing. Notably, the program has resulted in a partnership with the Joint Program Office for Special Technology Countermeasures to develop and field a prototype Combatant Command CIP Database in May 2003.

Homeland Defense and Civil Support (HLD/CS). With the recent direction to consolidate the security, defense, and support for the homeland, we are working to integrate existing functions as well as expanded mission requirements to enhance our protection of the USPACOM Homeland AOR that includes the State of Hawaii, the Territories of Guam and American Samoa, and the Commonwealth of the Northern Mariana Islands. Programs such as the JRAC, CIP, Homeland Air Security (HAS), Consequence Management for Chemical, Biological, Radiological, Nuclear, and high yield Explosive (CBRNE), and Domestic Support Operations are but a few of those being combined into one plan to maximize our capabilities and still refine the use of our resources. USPACOM's HAS mission deters, prevents or interdicts aerial threats and aggression directed toward Hawaii, Alaska, Guam, and U.S. territories within USPACOM's AOR. The HAS air threat spectrum ranges from ballistic missiles and aircraft to future low-altitude cruise missiles and radio controlled sub-scale aircraft. The potential for a terrorist to gain this capability is rising. USPACOM has addressed this challenge with close integration, cooperation, coordination, and collaboration among international, federal, state, local agencies, and governments. This fusion of individual agency capabilities, including our military, into an integrated, multi-layered response is key to our collective success.

USPACOM also supports other non-Homeland Security functions. Civil Support operations will be an enhancement of our existing Domestic Support Operations to the Homeland. Although not directly related to securing the homeland against terrorism, this support affects the impact of terrorist action. With Secretary of Defense direction, we quickly support the Federal Emergency Management Administration (FEMA) in mitigation and recovery efforts relating to natural

disasters. Typhoon Pongsona in Guam is a good example. The USPACOM HLD/CS program has taken on a renewed effort with great scope and responsibilities. Our Contingency Plan (CONPLAN) will build on our processes for intelligence sharing, AT/FP, CIP, CBRNE and natural disasters as well as other requested support to the civilian sector, providing a comprehensive program for Hawaii, Guam, and all our territories in the AOR.

Information fusion. USPACOM's Counterintelligence Program remains the key link between DoD and Law Enforcement Agency efforts in the Pacific Theater. We are committed to furthering the integration efforts of the Joint Inter-Agency Coordination Group-Counter-Terrorism (JIACG-CT) and counterintelligence missions with the FBI's Joint Terrorism Task Forces and with allied international agencies. Along these lines, we are pioneering efforts to promulgate all-source intelligence fusion to connect local, state, national, and DoD intelligence, counterintelligence, and law enforcement agencies. These efforts, coupled with a joint international training regimen encompassing asymmetric warfare and analysis from multiple perspectives, hold great promise in developing an "actionable intelligence" capability.

Manpower Requirements. Legislation mandates reductions in Higher Headquarters (HHQ) staffs by 15 percent. USPACOM and our sub-unified commands are executing these reductions in ways that will minimize the impact on our missions. The need for intelligence gathering, analysis, production, coordination, dissemination, campaign planning, and capabilities testing in exercises and coalition building is greater than ever. Adequate manpower resources are essential to mission planning to counter emerging asymmetric threats. Achieving synergy of forces launched from around the globe during conflicts while providing effective reach-back for those forces creates high mission demand on our combatant headquarters (HQ) staff.

The GWOT has created additional manpower requirements. Increased security patrols, both shore-based and waterside, in response to enhanced FPCONS; non-U.S. controlled port and airfield assessment teams; 24/7 coverage

for JRACs and Crisis Action Teams; and the already expanding Homeland Defense, Civil Support and CT missions are a few examples of manpower generating tasks. Additional AT/FP billets are needed to address the full range of force protection, antiterrorism, and CT missions throughout USPACOM. As we continue to develop the Homeland Defense and Civil Support plan, we already see the need for enhanced information analysis capabilities and consequence management resources for CBRNE events.

Integrating Reservists. Throughout the 1990's, we increasingly relied on our Reserve and Guard members to help accomplish our mission. These outstanding service members/citizens contributed not only hard work, but also unique talents and perspectives. It is not an understatement to say that they have helped in every facet of the USPACOM mission. After 11 September, with the sharply increasing demands of the GWOT, we needed their support. Throughout USPACOM, we only mobilized about 5,000 Reservists - about 10% of the immediate 11 September mobilized force capability. They helped with force protection, logistics flow, and increased shifts in a myriad of areas. As we continue to tap into our Reservists and National Guardsmen to support operations, we need to ensure they receive benefits comparable to our active duty service members. America can be proud of how our Reserve and Guard forces have responded.

Combating Terrorism Readiness Initiatives Fund (CbT RIF). USPACOM received \$3.98 million in CbT RIF funding in FY02. The FY03 worldwide allocation stands at \$47 million. This initiative provides the Geographic and Functional Commanders additional avenues for resourcing against emergent and emergency terrorist threats. Combined inputs for the first FY03 allocation totaled over 300 projects and \$100 million. USPACOM received \$4.14 million (10 projects) of the \$32.4 million available in the first allocation of FY03 funding, not including \$2.56 million (14 projects) for U.S. Forces Korea (USFK). USPACOM funded CbT RIF projects include emergency Explosive Ordnance Disposal responder gear for USARPAC; a perimeter wall for the new USPACOM

Headquarters; vehicle gates and barriers for Tripler Army Hospital; mass notification system for Misawa Air Base (AB), Japan; closed circuit television for Fort Buckner; gates for Yokota AB, Japan flight line; barrier gates for Fort Shafter; crash barriers for Camp Zama, Japan; and a standoff initiative with HQs security upgrades for Yokota AB. However, USPACOM still has over 500 unfunded AT/FP projects totaling \$1.01 billion. Service funding helps in meeting some of these necessary upgrades, while CbT RIF provides a means for addressing shortfalls. Your continued support for this fund is appreciated.

Special Operation Forces (SOF). USPACOM, through Special Operations Command, Pacific and JTF-510, maintains the ability to deploy SOF under the command of a general officer to any location to combat terrorism. We have used this capability in Operation Enduring Freedom - Philippines and continue to refine it to support the GWOT. This capability, however, depends on building and maintaining relations with supporting allies and friendly nations. We build and maintain these relationships through our Joint Combined Exchange Training (JCET) and other Theater Security Cooperation (TSC) programs. We look forward to working with the Congress to ensure these activities continue to receive future resource consideration.

Improving Readiness and Joint Warfighting Capability

Improving the readiness and joint warfighting capability of USPACOM Forces is critical to assuring our friends and allies, dissuading future military competition, deterring threats and coercion against U.S. interests, and defeating an adversary if deterrence fails. It includes the force levels, spares, operating dollars, and training needed to maintain ready forces. It also means innovating, transforming, and improving our capabilities and developing operating concepts and technologies needed to keep our forces ready for a wide range of alternative futures.

Intelligence, Surveillance, and Reconnaissance (ISR). The GWOT and traditional regional military threats demand ever-increasing agility and innovation in military intelligence. In the Asia-Pacific region, Signal

Intelligence (SIGINT) remains our best means to provide timely information on threat developments and intentions. It is key to tracking terrorist activities in Indonesia and the Philippines, as well as maintaining warning indicators and situational awareness on areas such as Korea, tensions between India and Pakistan, and China's continuing military modernization and relations with Taiwan.

The ability to integrate National Security Agency (NSA) and service SIGINT is vital in peacetime and in crisis. Rapid advances in telecommunications technologies, and their use by adversaries, present a daunting SIGINT challenge. I strongly support NSA's transformation efforts to defeat any perspective gains the digital technology revolution may present to our enemies.

I strongly advocate the accelerated development and fielding of joint, interoperable, modular, rapidly reconfigurable tactical SIGINT equipment for land, sea, and air platforms. These improvements should be balanced by collaborative intelligence processing systems at national, theater, and tactical levels to make the best use of the increased data obtained.

Without concurrent improvements in NSA's capabilities and in service cryptologic systems it will be increasingly difficult to predict, find, and target the most serious threats in our region.

Substantial improvements are needed to enhance Human Intelligence (HUMINT) collection capability against key USPACOM Indications and Warning requirements, to include hard and deeply buried underground facilities supporting the adversary's command, control, and communications and WMD infrastructure. Focused and coordinated source development is critical. Sustained resources for both CIA and DoD (Defense HUMINT Services) will yield the progress we need. Our military commands must have insight into enemy plans and intentions that only good HUMINT can provide

Cryptolinguists remain a long-standing shortfall with Operation ENDURING FREEDOM proving the value of personnel fluent in languages and dialects. We

are partially meeting the current challenges by training cryptolinguists to become familiar with low-density dialects and using speakers fluent in these dialects to augment our force. Ensuring the Defense Manpower Data Center's Automated Language Finder database tracks all USPACOM languages and dialects would significantly improve our ability to find speakers of languages/dialects required for future operations. Additionally, it is essential the Defense Language Institute develop tests for languages/dialects that accurately assess language skills of service personnel.

To support future contingencies, crises or OPLANs, we require a full-up and exercised joint ISR architecture with adequate ISR assets. One positive development sponsored by the U.S. Air Force is the multi-intelligence tasking, processing, exploitation, and dissemination (TPED) environment with the Distributed Common Ground System (DCGS) at Hickam Air Force Base (AFB). This system will distribute data from theater, commercial, and tactical ISR sensors to multiple users - national, joint, and combined - involved in a crisis. To fully benefit from the DCGS, additional funding is needed to ensure USPACOM service components have a sustained airborne ISR infrastructure, to include unmanned aerial vehicles (UAVs) and extended tether U-2 high-altitude surveillance and reconnaissance aircraft.

Command, Control, Communications, and Computers (C4). Over the past 3 years, improving the C4 posture in the Pacific has been a top USPACOM priority and still is one of the most critical challenges we face today. The C4 infrastructure must be continually sustained and protected. We've invested heavily in command and control systems and equipment, communication devices, and computers across the command. We do this because our current and future requirements demand that we do. For example, the Air Force recently declared initial operating capability for a new Air Operations Center at Hickam AFB in Hawaii. This function can deploy in part or as a whole to operate through the full spectrum of contingency operations, reaching back for support from the rest of the Air Operations Center at Hickam. Every planning action, training

event, operation, and weapon system in existence today relies heavily on the ability to communicate. Providing our fighting men and women with the weapons they need comes with a large price tag, but it's worth it. To do otherwise would be tantamount to denying them ammunition in the heat of battle.

C-4 Shortfall. The GWOT demands effective communication systems and equipment to link national authorities and local first responders with real-time information. We have made great strides in improving C4 capabilities in the Pacific Theater, but we must continue improvements at a rapid pace to keep up with expanding requirements for connectivity, capacity and security. C4 ties all technology together and is the underpinning for Transformation, both directly and indirectly. We must enhance our information infrastructure to be more robust, able to rapidly capitalize on improving technology, and more cost efficient.

To achieve information superiority we need to move large volumes of information to and from the warfighter to maintain vivid and complete situational awareness and achieve understanding at a glance. Many folks envision large volumes of information as pages and pages of text messages, which can overwhelm users and result in "information overload." Instead, we are talking about maximum use of multi-media such as video, shared applications through collaboration software, and high-resolution imagery. Through these types of tools, our operators can digest more information and we can collectively move towards a more knowledge-based environment.

This type of capability requires large network capacity. Our warfighting requirements for remote and austere locations require that this network capacity be robust and resilient. Enhanced satellite capability is one of USPACOM's most critical needs. The shortage of Satellite Communications (SATCOM) capacity limits my ability to command and control forces. Today we do not have enough bandwidth in any of the military satellite bands, Ultra, Super, or Extra High Frequency, to fully support our operational plans. Commercial SATCOM capacity can support much of this

shortfall, however, commercial SATCOM availability is subject to market pressures and is not fully dependable. For example, an important commercial SATCOM service to the Navy was preempted by media coverage of the 2000 Olympics in Sydney, Australia.

Additionally, USPACOM principally relies on geo-stationary weather satellites to track destructive typhoons over the vast expanse of USPACOM's ocean areas. Our current geo-stationary satellite weather information comes from foreign-owned and operated satellites that are reaching their designed service lives.

Consequently, it is absolutely crucial to fully fund and keep on track satellite upgrades, launches of new communications and weather satellites, and new satellite programs. The Transformational Communication System (TCS) system being proposed by the Assistant Secretary of Defense for C3I looks promising for meeting our SATCOM needs.

Our terrestrial communication infrastructure also needs attention. Most of our bases, posts, camps and stations are supported by mid 20th century cable and wire technology. The Global Information Grid (GIG) Bandwidth Expansion Project promises to replace this legacy infrastructure with the fiber optic connectivity needed for our in-garrison forces, command centers and training facilities.

Radio communications that connect us with federal, state and local government agencies are also important for force protection, homeland security and disaster response. We appreciate the congressional support for the Pacific Mobile Emergency Radio System (PACMERS), which will help us meet National Telecommunications and Information Administration (NTIA) mandate for frequency consolidation and allow for excellent interoperability with non-military partners.

Information Assurance and Information Sharing. Communication connectivity and capacity are only part of the solution for network centric warfare. Communication and information security must be maintained while

simultaneously sharing information and collaborating with bilateral and multilateral coalitions. Our ability to share information with coalition partners is inhibited by our need to restrict information within enclaves that are not accessible to coalition partners. To be network centric, we need the network to be agile and allow for the dynamic interconnection of nodes that support several communities of interest. Typically, we can have several simultaneous operations involving different coalition partners occurring in the Pacific at any given time. Being able to support these concurrently, with sufficient network capacity, is an information technology challenge.

Our Combined Operations Wide Area Network (COWAN) initiative is helping us achieve this goal by developing an information system that is interoperable with U.S. and coalition forces and is agile enough to allow us to selectively collaborate in multiple joint /multi-national environments simultaneously. We have formed a strong partnership with CENTCOM to roll our COWAN solution into the Combined Enterprise Information Exchange System, CENTRIXS, which may become the single network environment for all joint forces to support coalition operations and intelligence networking requirements. This single, highly meshed environment would be much more responsive and financially efficient than the multiple networks required today to support each individual coalition community.

Communication and information security measures are both part of our comprehensive Information Assurance strategy. As the Internet expands and becomes more pervasive, our adversaries are continuously finding ways of using computer vulnerabilities and network weaknesses to deny access to our information resources or exploit our information content. There are many programs focused on information assurance involving encryption, intrusion detection and network emergency response. Coordination of these programs and computer network defense activities requires a highly trained team of network professionals working around the clock with and a strong relationship with the Joint Task Force for Computer Network Operations (JTF CNO). I cannot cite any

single program that is more important than any other in the Information Assurance area; however, emphasis in this area is a must if we expect to rely on network centric operations.

With regard to information sharing, we have made great strides in gathering and taking advantage of "open source" information and providing it to our coalition and inter-agency partners to build trust and improve understanding. The vast amount of this information necessitates focused collection and analytical efforts to identify accurate and relevant information to enhance security cooperation. Open source products provided by the Virtual Information Center (VIC) and the regional information exchanges conducted via the Asia-Pacific Area Network (APAN) have increased our situational awareness of events and developments in the Asia-Pacific region that affect all of our operations. More importantly, these web-based activities have enabled us to expand our information base and share the results instantly with our foreign counterparts and potential coalition partners.

Anti-Submarine Warfare (ASW). The Pacific undersea warfare challenge is growing at a significant rate. In recent years, the USPACOM AOR has seen the greatest increase in submarine order of battle in the world. A robust and integrated ASW architecture and more capable force structure are essential to counter the growing submarine threat. The premier ASW asset remains submarines. To ensure sufficient submarines are available to track and kill enemy forces, we must seriously consider funding additional refueling of 688-class submarines and sustain VIRGINIA-class submarine build rate at two per year. I also strongly support the rapid transition to acquiring Automatic Periscope Detection technology for surface ships and Navy Maritime Patrol Aircraft employed in littoral regions. Congressional efforts last year resulted in funding for a welcomed and much needed 688-class submarine refueling overhaul program and funding that enabled the transition from a science and technology program to an acquisition program for airborne

Automatic Periscope Detection technology. I appreciate your support as we make necessary improvements in our ASW war fighting capabilities.

Missile Defense (MD). Short and medium range ballistic missiles pose the most pervasive and challenging missile threat for USPACOM MD. Effectively defending against this threat requires a layered, complementary mix of sea and ground based lower tier and upper tier terminal phase defense systems. Until a robust upper tier system is fielded, lower tier systems remain paramount to successful execution of theater OPLANs. A mix of forward deployed ground systems and sea-based lower tier systems offers the lowest risk and earliest deployment options. Accordingly, I support delivery of a sea-based terminal system as soon as technologically feasible and a moderate increase in Patriot PAC-3/GEM+ missile production/conversion to meet current OPLAN and contingency plan (CONPLAN) warfighting requirements. From a homeland defense perspective, continued development and fielding of a Ballistic Missile Defense System (BMDS) capable of intercepting missiles in all phases of flight (i.e. boost, midcourse, and terminal) against all known threats remains a top priority. Key capabilities that support these requirements, now and in the future (Missile Defense Agency's Block '04-'06 BMDS capabilities), for USPACOM include PATRIOT PAC-3, Sea Based Midcourse Defense Segment, Theater High Altitude Air Defense, and Airborne Laser $\frac{1}{2}$ power. Congressional support of the BMDS programs remains vigilant, and I applaud your continued support of Ballistic Missile Defense initiatives.

Mobility and Operations. During 2002, we made great strides partnering with U.S. Transportation Command (USTRANSCOM) to modernize our strategic air and sealift infrastructure to meet potential operational needs ranging from disaster relief to the GWOT and all the way to a major war. The USPACOM En Route Infrastructure Steering Committee has identified, validated, and championed over \$500 million in hydrant, ramp, and runway projects throughout the AOR to support the National Military Strategy as mandated by the Defense Planning Guidance and by the Mobility Requirements Study 2005. Our current en

route airlift system includes Elmendorf AFB Alaska, Hickam AFB Hawaii, Andersen AFB Guam, and Iwakuni Marine Corps Air Station, Kadena AB, Misawa AB, and Yokota AB Japan. Additionally, we have developed an AOR-wide prioritized list of air and seaports to visit and assess their capability as potential en route locations.

The heavy use of Naval Supply Facility in Diego Garcia, a British Island in the Indian Ocean, in support of -OEF, has led to its near-term consideration as an en route port supporting both USPACOM and USCENCOM operations. We have identified over \$38.7 million in infrastructure improvement projects to expand the facility's current operational throughput capability. Projects nearing completion include improvements in temporary containerized munitions handling pads and storage areas, wharf lightning protection, and transient berthing projects. Similarly at Wake Island, we have identified significant infrastructure improvement projects to ensure continued access to this critical location supporting our Pacific Tanker Air Bridge. The FY02 MILCON \$9.7 million Repair Island Access Facilities is currently restoring the wharf and marine bulkhead in preparation for major airfield pavement replacement starting with the FY03 MILCON \$24.9 million, which replaces the entire deteriorated runway pavement. Following that, four more phases in FY04 and beyond will complete replacement of the airfield taxiways and aprons and upgrade of the water supply, electrical power and sanitary sewage systems, for an additional \$74 million. These investments and others like them throughout the Pacific will ensure we have the necessary infrastructure readiness when we need them.

As early deployers, air-refueling tankers are critical to executing theater war plans for establishing the Pacific Tanker Air Bridge. Ongoing OEF and Noble Eagle have demonstrated the operational impact that air-refueling capability has in support of the GWOT. The KC-135 aircraft comprises 90% of the tanker fleet and their usage increased 3% over what was programmed following 11 September 2001. The FY02 DoD Appropriation Bill authorized the

U.S. Air Force (USAF) to negotiate the lease of 100 commercial B-767 aircraft for air-refueling use. USPACOM fully supports this Air Force effort as it will allow retirement of the oldest KC-135Es in the USAF inventory with an average age of 43 years.

The High Speed Vessel (HSV) provides a flexible alternative for intra-theater movement in USPACOM, including its use to augment airlift. Since October 2001, III Marine Expeditionary Force (MEF) has been testing and evaluating deployments using a leased HSV with great success and cost savings for exercise deployments and redeployments, as well as operational employment. JOINT VENTURE HSV X1, the Joint Army/Navy HSV that participated in Millennium Challenge 2002 and other exercises, was scheduled to support U.S. Army training in the USPACOM Theater from March to April 2003, but was diverted to support U.S. Central Command (CENTCOM). USPACOM fully supports the pursuit of high speed sealift technology as an Advanced Concept Technology Demonstration (ACTD) and a future force projection transportation platform.

USPACOM supports USAF and USTRANSCOM efforts to procure C-17 aircraft to meet strategic airlift needs in our AOR. Our number one strategic lift shortfall is airlift due largely to the retirement of aging C-141 and C-130 airframes and substandard C-5 aircraft performance. Additionally, to better meet operational response in the AOR, we fully support the initiative to forward base eight C-17s each at Hickam AFB, and Elmendorf AFB starting in FY06 and FY07 respectively. To have facilities available on arrival of these aircraft, Hickam's C-17 beddown military construction (MILCON) will start in FY04 with six projects totaling \$64 million. Elmendorf's C-17 beddown MILCON will start in FY05 and the MILCON funding stream for these facilities will total about \$105 million each over the FY04 to FY09 MILCON FYDP to provide the needed facilities for these assets to have full mission capability. These strategic mobility aircraft will bring a much-needed aerial delivery capacity to the Pacific Theater and prevent any lapse in capability during the reduction of C-130's in the AOR. We also support USAF efforts to procure F/A-

22 Raptors. The F/A-22 will provide a unique, rapid response to swiftly defeat enemy threats in the USPACOM AOR.

A V-22 Osprey tiltrotor capability is truly transformational - exhibiting leap-ahead technology. If the current test program proves successful, this capability will extend our operational reach and access in the AOR. The Osprey's projected design, performance, and reduced vulnerability and susceptibility will provide USPACOM with a highly survivable and flexible capability. The aircraft's enhanced lift abilities provide significant migration for the medium-lift requirement.

The Pacific region needs three of the six planned Stryker Brigade Combat Teams (SBCTs) to fully support theater warfighting capabilities and region transformation efforts. The primary military force of our friends and allies in the Asia-Pacific region is their Army. SBCT participation in regional events reinforces our commitment to support allied transformation efforts and coalition building by continuing Army-to-Army high technology training and exercise events. Additionally, the SBCTs show great promise in providing joint commanders the means to better integrate Army force capabilities as part of a joint or coalition task force.

Training Areas. We are tasked to perform an increasing number of missions, from peace operations to strikes and raids to noncombatant evacuation to humanitarian assistance. Each mission requires preparation. The only way to prepare and ensure readiness is through tough, oriented, and realistic training. Dropping dummy bombs and firing inert ordnance cannot replace "live-fire" practice. The first exposure to "live fire" our forces face must be in a controlled training environment where they learn from their experience at less risk than in hostile combat.

However, we routinely receive encroachment pressure on our training ranges throughout the AOR. Restrictions on space, hours, ordnance, and radio frequencies impact our ability to exercise our equipment and train to

standard. Last spring, a suit pertaining to the Migratory Bird Treaty Act (MBTA) temporarily closed our primary aircraft live-fire range, Farrallon de Medinilla, near Guam, until the D.C. Circuit Court of Appeals granted an emergency stay. Fortunately, timely Congressional action amended the MBTA to exempt DoD military readiness activities, and a subsequent appellate court order dismissed the case as moot. Likewise, Makua Range on Oahu is in use but severe limits in the number and type of ground force training cycles have forced us to accomplish most small unit training in Hawaii through expensive deployments to the Pohakuloa range on the Big Island. Range and training limitations in Japan and Korea cause units to deploy away from their home station for routine training. Moreover, although aircraft, artillery, and pistols are noisy instruments of war, they are basic parts of our business. Developments now demand noise restrictions that force important low-altitude maneuvers to unrealistically high altitudes and limit the use of ranges.

We are good stewards of our environment. Success stories are numerous, but often the stories aren't well known. We have set aside space for protected species, altered or deferred some units' training to avoid interference in nesting areas, and developed specific programs to increase the populations of protected or endangered species.

The military's answer to encroachment challenges has been to work around the problems while seeking to minimize the impact on the quality and quantity of training. But, maneuver space is less, training lanes have become narrow and artificially tunneled, and our individual maneuvers have become too predictable or repetitive. The work-arounds may still accomplish the training, but usually require additional costs - in terms of money, time, and impact to the well-being of our service members. Readiness and training experiences decline; we cannot let this continue.

Many of our environmental laws, while well intentioned, are vague. For example, the Marine Mammal Protection Act (MMPA) prohibits harassment of protected species without prior authorization from the respective regulatory agency. The current definition of "harassment" of marine mammals can be mere "annoyance" or "potential to disturb" without biologically significant effects. Any Navy test or training activity that harasses a protected species must be approved by the applicable regulatory agencies - often after delays, or subject to restrictions, that degrade the quality of the training. And sometimes inflexibilities in the statute preclude our regulators from approving even activities that many believe have insignificant impacts. Additionally, litigants using the Endangered Species Act are seeking to force the Fish and Wildlife Service to lock up thousands of acres of military ranges as "critical habitat", even though our own congressionally mandated Installation Natural Resource Management Plans afford habitat protection. In fact, litigants are seeking to force the U.S. Fish and Wildlife Service to designate such critical habitat on significant areas of DoD training ranges for endangered species that are not even present on such lands. As these examples show, such loose language and broad definitions can and do impede essential air, land, and sea activities near marine mammals or endangered species locations. Clear definitions and consideration of national security requirements should be important points in all environmental legislation.

In April 2002, the Administration sent a legislative package to Congress recommending clarifications to certain environmental statutes as part of the Readiness and Range Preservation Initiative (RRPI). The proposed package was prepared to help DoD maintain its ability to train forces and continue to protect the environment in which we train. Last year, Congress enacted three elements of our proposal and begun consideration of the remaining five. This year, the President has resubmitted the remaining RRPI proposals, with some modifications based on both discussion with Congress and other environmental stakeholders and a significant decision last year concerning the MMPA in the

SurTASS lawsuit. We thank Congress for support of the RRPI and ask for your support on future encroachment issues that impact our readiness.

Logistics. An aging aircraft inventory and some parts shortages continue to drive reduced Mission Capable and reduced fill rates for our "go to war" Readiness Spares Packages and high cannibalization rates. The result is lower than expected readiness at increased costs. Although funding for spare parts has improved over the last 2 years, some shortages continue. For example, only three of eight Pacific Air Force (PACAF) A-10, F-15, and F-16 wings maintained minimum Mission Capable standards during fourth quarter FY02. PACAF requires excess cannibalization to meet wartime mission planning sortie generation rates. PACAF cannibalization rates are higher than 8% for the F-16, F-15C/D, F-15E, and A-10. Likewise, the U.S. Army uses controlled substitution to achieve peacetime mission-capable Aviation Fleet goals. Delays in stock availability due to 12-18 month spares delivery lead-times are a root cause of controlled substitution and create difficulty in matching funding lines with projected capabilities. Increased spares at the Army wholesale level are required to meet the increased flying hours necessary to surge to wartime Operational Tempo.

We have made progress but need your continued support in fully funding materiel and personnel requirements for organizational, intermediate, and depot maintenance levels. Additionally, we need support for each Service's Life Cycle Support program to extend the life of our aging aircraft fleets.

Chemical, Biological, Radiological, Nuclear, and high yield Explosive (CBRNE) defense is a significant concern in the Pacific theater, and a potential showstopper for U.S. military operations, causing significant operational risk to Major War OPLAN execution. CBRNE is a critical operating condition and potentially the greatest theater threat I face, affecting everyone, everywhere, including our allies and the homeland. Aircraft exposure on the Korean Peninsula or an attack on a few strategic choke points, including Guam and key Japanese air and seaports, could stop U.S. force flows

and other critical support operations. Significant differences exist between what we would like to achieve against CBRNE threats and our actual capabilities. Specific shortages include Individual Protective Equipment, Chemical/ Biological Point and Standoff detection, inadequate decontamination standards, and significant shortcomings in detailed and actionable intelligence on adversary WMD processes and facilities.

We are active in the Joint Service Installation Protection Program and with other ongoing studies and demonstrations. For example, we are sponsoring a Restoration Operations (RESTOPS) Advanced Concept Technology Demonstration (ACTD) to examine the actions necessary to protect against and immediately react to the consequences of a chemical or biological attack at a fixed site. Through this venue, we are investigating new tactics, techniques and procedures, as well as exploring new detection, decontamination, early warning networks, and medical technologies. The RESTOPS ACTD will have its final demonstration at Osan Air Base, Korea, in February 2003. Another effort we are sponsoring is a DoD-wide biological warfare (BW) seminar. The DoD WMD community collectively assessed the shortfalls within DoD for responding to enemy BW and gave us a way-ahead to resolve these issues. We are working to integrate procedures and technologies that allow us to mitigate the impact of such an attack. We cannot do this alone. USPACOM needs support from the entire joint community to improve our abilities to protect our forces and to operate in this difficult environment should the need arise. Your continued support is critical to CBRNE defense readiness.

Quality of Service for our Men and Women

While winning the war on terrorism and transforming our forces to ensure a qualitative military edge, we must improve on the Quality of Service (QOS) for our Soldiers, Sailors, Airmen, and Marines. QOS means providing the high quality operating facilities, the tools, and the information technology necessary for our service men and women to achieve their goals and execute

their missions with efficiency and a minimum of frustration. My travels throughout the Asia-Pacific region - first as Commander, Pacific Fleet, and now as Commander, Pacific Command - confirm my belief you have done a great service to our military members and their families in the area of personnel entitlements.

The QOS initiatives included in the FY03 National Defense Authorization Act show service members that military and congressional leaders are taking actions to meet the needs of our service men and women and their families. Thank you for your support on recent initiatives, including the 4.1% pay raise, assignment incentive pay, and the ability to grant emergency leave of absence. These QOS initiatives will assist in retaining highly skilled troops and their families. Many USPACOM personnel will benefit from the ability to defer their Consecutive Overseas Tours travel entitlement, from recent increases in Basic Housing Allowance, and from the additional Basic Allowance for Subsistence provisions in areas with inadequate messing facilities. Deployed personnel will be more at ease knowing that additional family assistance has been provided in the form of childcare, education, and youth services for our men and women who are in harm's way, supporting contingency operations and the GWOT.

Military Family Housing remains a top priority. All services have devised plans to eliminate inadequate housing by 2007 with a combination of traditional military construction (MILCON) and privatization (Public Private Venture or Residential Communities Initiative). Congressional support has provided immediate benefits to our men and women who serve. Continued funding is essential, however, to enable further progress in reducing the number of inadequate quarters and in limiting out of pocket expenses to our service members and their families while maintaining a high standard of construction and quality. While we have made progress, we still have considerable work remaining. We appreciate your continued attention on this important issue.

Dorms and Barracks for our single service members is another area where we have seen significant improvement. Our service components are now pursuing well thought out plans to meet the FY08 goal of eliminating open bay berthing and central latrine-style barracks. We must retain our current operational funding stream, however, to maintain existing facilities as renovation proceeds. Again, congressional support has had a direct and beneficial impact on our young service members.

Our base infrastructure is still below standards. Sustainment, Restoration, and Modernization (SRM) of facilities and infrastructure throughout the USPACOM AOR continues to be an important concern. FY01 Installations Readiness Report rated about 80% of USPACOM facilities at C-3 (having serious deficiencies) or C-4 (not supporting mission requirements). In many areas, USPACOM facilities are 1940's vintage and not mission conducive. For example, modern weapons no longer fit into WWII vintage magazines and require improved piers for safe, proper handling. USPACOM projects SRM requirements at approximately \$3.4 billion per year throughout the FY04-09 FYDP vice the current funding profile of \$2.5 billion per year. As you know, the DoD goal directs components to achieve a 67-year recapitalization rate by FY07 and restore readiness of existing facilities to C-2 (minimum acceptable performance) status on average, by the end of FY10. Current funding puts achieving this directive at risk. In addition to maintaining our facilities, we have equally important infrastructure requirements above SRM needs that require attention. These include new mission bed-downs and essential environmental requirements. Our facilities and infrastructure provide a foundation for optimum readiness and quality of service critical to mission success. We appreciate Congress' past funding efforts and call upon your continued assistance to ensure adequate facilities and proper maintenance for the long term.

By far the most important weapons systems in our inventory are our Soldiers, Sailors, Airmen and Marines. These individuals require life-cycle

support and maintenance just like other systems. Force Health Protection is that maintenance program. Ensuring the health of our forces directly relates to our ability to implement effective disease countermeasures that include vaccines, antibiotic stockpiles, and automated disease surveillance systems. I ask you to continue your support for ongoing research and development efforts that will improve our disease detection capabilities.

The upkeep and replacement of military medical facilities remains one of our top QOS priorities. We are working to replace or renovate our substandard facilities, particularly for Naval Hospital, Guam, further degraded by Typhoon Pongsona in December. We must continue to restore and increase funding to ensure our military medical infrastructure is safe, modern, and secure.

We appreciate the MILCON appropriations to the USPACOM AOR. These funds are vital to maintain our ability to work and fight together with our allies and to help transform and modernize our forces. In FY03, \$1.1 billion was allotted toward mission and mission support requirements and \$300 million toward family housing needs. In FY04, we need continued MILCON support for vital readiness and QOS issues. For example, we require MILCON for new mission bed-downs, such as the Stryker Brigade Combat Teams and the C-17 aircraft. Our backlog of major infrastructure repairs is reflected in the need for complete or major repair of airfield pavements at all U.S. Pacific Air Force bases, as well as the major repairs needed on critical infrastructure at bases and long-range radar detection in defense of the homeland. In the wake of destruction from Typhoon Pongsona in November 2002, it is clear we require supplemental MILCON support for a "typhoon-proof" concrete aircraft hangar as well as several other projects at Andersen Air Force Base, Guam. The hangar will provide reliable support for critically important current and future Air Expeditionary Force and OPLAN requirements. Also, we require MILCON for consistent environmental stewardship and essential dorm and family housing deficits and renovations. I thank Congress for using MILCON where enhanced force protection is necessary.

The New USPACOM Headquarters is under construction and designed to provide advanced information management, decision support and visualization technologies for our people to efficiently accomplish their mission.

Department of Defense Education Activity (DoDEA) MILCON for two schools on Guam is my top family QOS priority. One is an elementary school that is currently not in the DoDEA MILCON program due to lack of funds. The second is a replacement high school programmed in the DoDEA's FY06 MILCON program. Current facilities are 1997 building conversions in poor, substandard condition that received significant damage from two typhoons in 2002. Further, numerous seismic events over the past few years have significantly weakened the elementary/middle school. Our military family dependents need safe, soundly built schools conducive to a good learning environment. We need your near term support for these two DoDEA school MILCON projects in Guam especially in light of our increased force posture on the island.

Pacific Warfighting Center (PWC). Increasing operational and exercise activity, training complexities, and C4I modernization have rendered obsolete USPACOM's exercise simulation infrastructure and support capabilities. This deficiency significantly reduces the ability to train USPACOM and Joint Task Force commanders in crisis action readiness procedures; limits their ability to rehearse key operational orders; degrades the ability to improve combined interoperability with friends in the region; and contributes to increased OPTEMPO, training time, and associated costs for USPACOM forces before responding to contingencies. The current facility does not support future technologies or meet force protection requirements. The planned, state-of-the-art operations and simulation center will improve total force readiness and achieve OSD's goal for transforming training by exploiting emerging technologies to create a robust, networked, live, virtual, and constructive training and mission rehearsal environment for joint and combined force commanders and their staffs.

PWC will be a key node on the Joint National Training Center's global grid of operational warfighting centers. Specifically, it will fully integrate with, and extend the capability of, the Joint Forces Command's Joint Training Analysis and Simulation Center and U.S. European Command's Warrior Preparation Center. Accordingly, the PWC will provide an effective venue for decision support, OPLAN mission rehearsal, and combat analysis for headquarters and deploying forces. The planned simulation center will transform USPACOM through the use of emerging information technologies to support advanced warfighting concepts and joint experimentation. The PWC promises to save exercise funds and enhance regional security cooperation using INTERNET-based information exchange opportunities via the Asia-Pacific Area Network. This MILCON project will provide a secure facility in Hawaii for assembling military, civil-military and interagency representatives from throughout the Asia-Pacific region for interoperability exercises, collaborative research, and seminars. The facility will also support component conference requirements in a secure and protected setting.

Again, much has been accomplished in QOS improvements, but we still have more to do. Thank you again for the support you have provided and I thank you in advance for your continued future support.

Reinforcing the "Constants" in the Pacific Region

Our long-standing bilateral alliances in the Asia-Pacific region, our friendships and the presence of our forward-deployed combat forces continue to be the foundation of the region's peace and stability. One of my goals is to build on these relationships while nurturing multinational efforts that support the region's mutual interests. Our forward posture is fundamental and our combat capability essential to deter regional threats. We look for initiatives that help shape our overseas posture.

Theater Security Cooperation (TSC). Dramatic events of the past 2 years have brought into focus new and challenging national security demands for the

21st century. A mix of traditional and non-traditional threats jeopardizes the unprecedented levels of Asia-Pacific security and prosperity of the last 50 years. These threats are reminders that evolving challenges require more prompt and effective responses to ensure peace and prosperity in the Asia-Pacific region. At USPACOM, we "operationalize," national and defense security strategy with regional emphasis. Attaining national security and defense objectives in the Asia-Pacific region requires a broad understanding of threat capabilities, a frank assessment of political-military realities, and a well-charted course supported by meaningful and mutually beneficial security cooperation.

Our acute theater security concerns include conflict on the Korean Peninsula (where the stakes are high); miscalculation between regional strategic rivals (such as China-Taiwan or India-Pakistan); and transnational threats such as terrorism, proliferation, drug-associated violence, and instability from failed nation-states. Although we anticipate peaceful resolution of longstanding security concerns in places like the Korean Peninsula, Taiwan Strait, and Kashmir, the strategic situation in these potential flashpoints and elsewhere mandates vigilance and preparedness. We are strengthening our current security relationships and military capabilities while developing new relationships and capabilities to deter conflict and dissuade would-be regional competitors.

The USPACOM Theater Security Cooperation (TSC) Plan supports the overall mission by enhancing U.S. influence, expanding U.S. operational access to train (and deploy) forward-deployed and forward-based combat forces, and increasing interoperability with our coalition partners to support potential efforts across the spectrum of military operations. Every TSC activity we undertake enhances our joint/combined capabilities and communicates our intent to assure friends, or dissuade, deter, or defeat potential enemies. Security Cooperation is an engine of change that, along with our Joint Training and

Experimentation Plans and our operational focus, solidifies the link between national strategy and focused, enduring regional security.

The dividends of a relevant, adaptive TSC plan are clear - our treaty allies and friends have provided incomparable support to OEF and the GWOT. Every day, our TSC planners, exercise planners, security assistance personnel, and forward-deployed forces coordinate, plan, and execute meaningful security cooperation activities that strengthen military-to-military cooperation and prepare U.S. forces and their prospective Coalition partners for the next challenge.

Japan. The U.S.-Japan alliance has never been stronger. From the outstanding rapport at the highest levels of our governments to the action officers, our two countries are moving forward in strengthening ties and resolving problems. Nearly 38,000 U.S. armed forces personnel are stationed in Japan, which also serves as a forward-deployed site for about 14,000 U.S. naval personnel. Japan provides over \$4.5 billion in host-nation support, the most generous of any U.S. ally. Without these forward-stationed and forward-deployed forces, it would be much more difficult for the U.S. to meet commitments and defend American interests throughout the Asia-Pacific region. The U.S.-Japan alliance is fundamental to security and peaceful development in the region.

Since becoming Prime Minister (PM) nearly two years ago, PM Koizumi has stressed the importance of the alliance and has sought to move Japan's security policies forward. He exerted exceptional leadership in response to the 11 September terrorist attacks, pushing support for the GWOT. After 11 September, the Government of Japan (GOJ) rapidly passed legislation and obtained Cabinet approval of a Basic Plan that provides the framework for significant Japan Self-Defense Force contributions to the war on terrorism. The speed with which Japan reacted is unprecedented in the 50-year history of the Japan-U.S. security relationship. GOJ contributions to the GWOT include the provision of over 70 million gallons of fuel oil to coalition ships by the

Japan Maritime Self-Defense Force. The Japan Air Self-Defense Force has provided over 1700 flight hours moving tons of important cargo and passengers throughout the theater. We take every opportunity to express our appreciation to the GOJ for its support following 11 September.

The significant progress in building national support against terrorism does not eliminate concerns, however, about U.S. military activities in Japan. Although Japanese public support for the alliance remains high, about 70 percent, a majority of Japanese citizens would like to see a reduction in the burden of our presence. The normal range of base-related issues, including constraints on training and concerns about crime and the environment require continued careful management.

Efforts continue to implement the Special Action Committee on Okinawa (SACO) Final Report. While 15 of 27 SACO initiatives have been completed, 12 (2 of 5 noise reduction and 10 of 11 land release initiatives) are still in progress. The cornerstone of the Japan-U.S. SACO Final Report is the Futenma Replacement Facility (FRF). GOJ approval of a Basic Plan for the off-shore portion of the FRF highlights the progress in the SACO process. However, we continue to emphasize to the GOJ that our requirements have not changed, and a complete replacement facility is required before returning Futenma.

The U.S.-Japan alliance requires our proper attention. At the same time, significant growth opportunities exist for advancing U.S. interests. U.S. forces' presence here, from the country team perspective, is secure, and careful management of the issues will ensure it remains so. My hope for the coming year is that our security dialogue with Japan will advance beyond the discussion of current issues related to bases and training to address our longer-term interests in sustaining our vital alliance. We also look to expand and improve U.S.-Japan coordination with other countries within the region to address regional security issues.

Republic of Korea (ROK). The ROK remains one of our strongest allies. The new Korean government is committed to the alliance. Unfortunate incidents

marred the relationship this past year - the most tragic was the death of two young Korean girls in an accident involving a U.S. Forces Korea vehicle. In this regard, the U.S. has at every level offered our profound sympathy and apologies.

The late fall protests indicate the depth of emotion the Korean people feel on issues related to perceived inequalities in the ROK-U.S. relationship. However, they are not indicative of the solution sought by most Koreans or the Korean government. The Korean people in general recognize the great contributions made by the United States to their nation's security and believe the relationship is in their interest, as it is in ours. In coordination with the Office of the Secretary of Defense and United States Forces Korea, we continue to review our force presence in the ROK and North East Asia.

As a partner, the ROK has been steadily increasing its regional security role. USPACOM is working with the ROK Joint Staff to ensure our regional security cooperation efforts are in consonance with one another and integrated where appropriate. In particular, the ROK supports USPACOM exercises and seminars aimed at increasing regional cooperation and interoperability among U.S. friends and allies. Korea's contributions to regional peace and stability were clearly demonstrated this past year in Timor-Leste, where ROK Army troops participated in UN peacekeeping efforts to support the region's newest nation. This growing regional role for Korea contributes to the security of the region while not detracting from its peninsular defense responsibilities.

The ROK continues steadfast support to anti-terrorism efforts. The Korean Armed Forces are with us in the GWOT, from Guam to Central Asia and on the ground in Afghanistan, supporting our efforts with transportation and medical support. In the USPACOM area, the ROK Air Force has flown over 2000 hours moving tons of important cargo and passengers throughout the AOR. Similarly, the ROK Navy has provided important sealift to bolster our efforts in South Asia, moving 3500 tons of material. In the aftermath of Typhoon

Cha'taan, the ROK landing ship tanks (LSTs) provided emergency sealift of over 350 tons of bottled water and other disaster relief supplies and materials to Guam. The ROK Army deployed a Mobile Surgical Hospital initially to Manas, Kyrgyzstan, and subsequently to Bagram, Afghanistan. A civil engineering battalion will soon join these forces to assist in rebuilding the infrastructure of that emerging nation. These contributions have been, and will continue to be, important to the success of OEF, and we thank the Korean people for their support.

The events of 2002 remind us of the dangers posed by the Kim Jong-Il regime and the threat our ROK-U.S. combined team faces on the peninsula. The conventional threat from the Democratic People's Republic of Korea (DPRK) remains unabated, illustrated by the unprovoked naval attack in July on an ROK Navy vessel that resulted in the loss of four young ROK sailors. The DPRK maintains more than 60 percent of its forces within 100 kilometers of the Demilitarized Zone (DMZ), and the Kim regime persists in its "military first" policy, providing sufficient resources to keep its large force fed, equipped, and exercised, while its citizens face deprivation and starvation. While the DPRK has so far not broken its promise to suspend ballistic missile test flights, it continues development efforts including static engine tests. Additionally, the DPRK exports missiles and missile technology, posing a grave counter-proliferation concern. Finally, the Kim regime continues to engage in nuclear brinkmanship, with the disclosure of its Highly Enriched Uranium program and progressive steps to restart its plutonium production and reprocessing program. These actions are in violation of the Agreed Framework, DPRK pledges to the IAEA, and the 1992 North-South Basic Agreement calling for denuclearization of the Peninsula. The DPRK is not above precipitating a crisis to strengthen its bargaining position. Now more than ever it is critical our ROK-U.S. partnership stand firm.

The ROK is a strong ally that is increasingly contributing to regional peace and stability. Together we face a common threat on the Peninsula.

However, the Korean people are looking for ways to foster reconciliation with the DPRK. We recognize the importance of these efforts to the Korean people and their government. Moreover, we agree on the crucial role of the Armistice Agreement in maintaining peace on the Korean Peninsula, and we are committed to ensuring that efforts at reconciliation do not increase risk for the security of the ROK or the United States.

In sum, through continuing support to the coalition to combat global terrorism and efforts to participate fully in regional security, the ROK plays a very positive role in the region. U.S. and ROK forces remain prepared, and we are looking for ways to strengthen the alliance to deal with current and future challenges.

Australia. Our strong ally and partner, Australia has demonstrated steadfast commitment and bold leadership in the GWOT and in essentially every other security endeavor in the region. Its military contributions to the coalition against terror are substantial and include Combat Air Patrols (CAP), tankers, Special Air Service (SAS) troops, guided missile frigates and, most recently, support for Sea Swap, our USN initiative to exchange crews of select vessels forward in theater. Additionally, Australia has become a regional leader in pursuing multilateral counter-terrorism initiatives in Southeast Asia by signing counter-terrorism MOUs with Indonesia, Malaysia, and Thailand while pursuing others. USPACOM remains focused on maintaining strong levels of interoperability with the Australian Defence Forces across the full spectrum of contingency operations including counter-terrorism. Australia continues to lead international support for the struggling nations of the Oceania region, providing humanitarian assistance and training. Australia is the southern anchor of our security architecture in the region, and we will maintain the vibrancy of this strategic relationship.

Republic of the Philippines. Our relationship with the Government and Armed Forces of the Philippines (AFP) developed and matured throughout 2002. Through comprehensive security assistance packages and focused security

cooperation, the AFP has improved its ability to fight terrorism on its homeland as demonstrated by the AFP Southern Command's effective neutralizing of the Abu Sayyaf Group (ASG) on Basilan Island and the continuing fight in Jolo. This has not come without cost. Both American citizens and service members have been wounded, or lost their lives to the terrorists in the Southern Philippines.

Despite these losses, Operation ENDURING FREEDOM - Philippines (OEF-P) has produced tremendous successes. The Joint Task Force advised and assisted AFP forces in their mission to rid ASG terrorists from Basilan Island. As a result, the ASG threat declined significantly on Basilan Island. Although the road that circled Basilan was repaired to support AFP/U.S. tactical mobility, it will also help the people of Basilan in their economic livelihood as will the new water wells, repairs to school buildings, critical hospitals, and other medical treatment areas throughout the island. These humanitarian and civic assistance program successes acted as force multipliers for U.S. and AFP operations because the programs separated the citizens of Basilan from supporting the terrorist threat. To ensure the AFP can successfully respond to the terrorist threat, the U.S. developed a Security Assistance (SA) Program that will provide the AFP with additional counter-terrorism training and equipment. This program is just starting and will consist of light infantry battalion, light reaction company, night-vision, intelligence fusion, Non-commissioned Officer, and Civil Military Operations training. The SA modules will occur at various locations in the Philippines to benefit the AFP beyond its Southern Command units. Additionally, USPACOM has developed a Foreign Military Financing (FMF) Maintenance Assistance Plan that will sustain AFP critical tactical mobility platforms, including UH-1H helicopters, C-130 transport aircraft, two-half ton trucks, and 78-foot patrol craft. We seek your assistance in ensuring funding for this program through the next 5 years. This will give the AFP an opportunity to address current equipment maintenance shortfalls.

Action has not been limited to the southern Philippines. We have completed various large-scale exercises in Luzon and continue to plan for security cooperation events in 2003. On 21 November 2002, the AFP signed a Mutual Logistics Support Agreement with USPACOM - a positive sign of reciprocity and an improving relationship. We have already used the agreement by leasing body armor to the AFP. This small gesture will improve the AFP force protection posture and support Philippine efforts to combat terrorism.

The Philippines plays a strategic role in the USPACOM AOR. As training areas for U.S. forces dwindle, excellent training facilities in the Philippines remain available, though repairs are required. Last year, the U.S. provided \$25 million supplemental funding for the SA modules currently underway in the Philippines. Additional security assistance funding may be required in FY03 to continue the counterterrorism momentum we have established.

We have accomplished a lot in the GWOT and in securing our strategic objectives with the unwavering support of the Philippine Government. The security situation in the Philippines needs continued improvement to attract investments and promote economic stability. Continued U.S. support through comprehensive, focused and timely SA funding is one way we can influence the situation in the Philippines. Supporting the GRP in their fight against the ASG is another way. A sustained GRP counterterrorism capability is the goal.

Thailand. The Kingdom of Thailand is a treaty ally that continues to have an outstanding military-to-military relationship with the U.S. Exercise COBRA GOLD (CG) is a centerpiece of this relationship. CG-2003 will be our 22nd joint/combined bilateral exercise with Thailand, and the 4th of the expanded observer program - making it USPACOM's premier multilateral event. By adding this multinational exercise dimension in an environment that trains for transnational issues, Thailand is assuming an active role in promoting South East Asia security.

Military-to-military policy with Thailand is managed through annual Thai-American Consultations. Benefits to Thailand include U.S. counterdrug/border security support, demining training, peace operations training and support, and an extensive security assistance program with a robust International Military Education and Training (IMET) component. Thailand's contributions as a regional leader include a peacekeeping troop presence in Timor-Leste, a commitment to providing engineering support in Afghanistan to support the GWOT, and an intent to contribute to the peace process in Aceh, Indonesia.

As a result of our strong relationship with Thailand, we have received access to facilities, ports, and airfields, and the granting of overflight clearances in support of operational emergencies. Our ongoing security cooperation program, including exercises such as COBRA GOLD, helps to address the security interests of both our countries and serves as a catalyst for enhancing our regional security posture.

Singapore. Our relationship with Singapore is one of the strongest in the region. Following the 11 September terrorist attacks, Singapore provided access to airfields and naval facilities to U.S. forces, detained 31 suspected terrorists, froze terrorist financial assets, increased protection to shipping in the Strait of Malacca, and implemented the U.S. Container Security Initiative. Singapore's recently published White Paper on the Jemaah Islamiyah terrorists and announcement to launch a terrorist research center in 2003/2004 testifies to its comprehensive strategy for combating terrorism in Southeast Asia. Our efforts with Singapore focus on reinforcing our already strong foundation through improved interoperability and cooperation.

Malaysia. Some of the most aggressive action against terrorism in Southeast Asia has occurred in Malaysia. To date, Malaysian security forces have arrested more than 70 suspected terrorists and have taken the lead in several initiatives aimed at increasing cooperation in combating terrorism and other areas of mutual interest. The proposed Regional Counter Terrorism

Training Center in Kuala Lumpur is one such initiative and represents an important opportunity to enhance regional efforts at combating terrorism. By providing expertise, information, and funding when appropriate, we can assist Malaysia and other nations of Southeast Asia in developing the skills necessary to defeat terrorism. As a moderate Muslim nation with a secular democratic government, Malaysia's influence extends beyond the region. Its January announcement to discontinue funding for private religious schools is an example of a government taking action against the root causes of terrorism by not supporting deviant extremist teachings that breed hatred. Currently, Malaysia holds the chairmanship of the Organization of Islamic Conference and remains influential in the Non-Aligned Movement. Together, we remain committed to cooperating in areas of mutual interest and improving our ability to operate in combined regional efforts.

India. Based on the policy direction provided by the Indo-U.S. Defense Policy Group, USPACOM embarked on an aggressive security cooperation program with India over the past year. To date, our forces have conducted a number of successful exercises - ranging from airborne operations to surface warfare naval exercises - that have improved the combat effectiveness of U.S. forces. Over the past 10 months, USPACOM and its components have met with their Indian counterparts and established a long-range plan outlining mutually beneficial activities. These programs will increase our interoperability with, and access to, Indian forces. Our growing military cooperation supports the transformation of our relationship with India and serves to further this strategic partnership. This partnership was evident in India's strong support for the GWOT, most notably its naval escorts of U.S. ships transiting the Strait of Malacca last summer. As my recent trip to the troubled state of Kashmir confirmed, terrorists also menace India. Our improved relationships with India and Pakistan were invaluable as we helped these rivals step back last year from the brink of war.

Indonesia. The government of Indonesia responded admirably to the terrorist bombings in Bali on 12 October 2002, arresting many key operatives and developing information on the domestic and regional terrorist threat. Globally, radical Islam continues to destabilize Muslim countries and threaten the interests of tolerant, democratic nations. Indonesia is a key battleground in the struggle against terrorism and radicalism. In the face of economic turmoil, separatist and communal violence, and political transition, the world's most populous Muslim nation is struggling to maintain its secular, democratic character, and to cooperate with the international community in eliminating transnational security threats. The Indonesian military (TNI) is also going through a difficult transition from protector of an autocratic regime to defender of a popularly elected government. This is a significant cultural and institutional transition that will not happen by itself.

Accountability, essential to democratic civil-military relations, must improve. Critical to the success of this effort is Professional Military Education that exposes TNI officers to democratic norms and modern defense management techniques while building personal bonds of trust and goodwill. Particularly important is influencing the younger generation of officers to support the struggle against terrorism. International Military Education and Training (IMET) is another important tool as is FMF support for equipment, such as patrol boats for monitoring Indonesia's porous borders, to improve TNI's ability to counter transnational threats.

East Timor. This past May, Timor-Leste became the world's newest democracy following 20 plus years of occupation and over 200,000 deaths. Though the greatest credit for this achievement goes to the Timorese people, the U.S. military provided significant assistance in Timor-Leste's transition to a democratic state. Our U.S. Support Group East Timor (USGET) played a vital role in providing a stabilizing military presence during Timor-Leste's transition to independence. We conducted monthly ship visits, built schools and roads, repaired water and electrical systems, and provided medical and

dental treatment for thousands of Timorese. We are proud of USGET and our military forces that contributed to Timor-Leste independence.

Although USGET deactivated on 17 December 2002, USPACOM continues to play a positive role in Timor-Leste's development as a democratic state. Through IMET and Foreign Military Sales (FMS) we are funding English language training, helping develop the Timor-Leste Defense Force (ETDF) logistics system, purchasing basic equipment, and designing training programs to help develop Timor's Defense Secretariat and the ETDF. My key goals are to support the development of a civil/military defense establishment subordinate to civilian authority and the rule of law and help develop the ETDF as a credible self-defense force.

China. We have a modest but constructive military-to-military relationship with China. Our relationship is guided by PL 106-65 (NDAA 2000), which limits us to the areas of Humanitarian Assistance/Disaster Relief (HA/DR) and other non-warfighting venues. Our activities are part of ongoing DoD efforts to place such contacts with China on a new footing since the April 2001 aircraft collision incident. The USS PAUL FOSTER port visit to Qingdao in November 2002 and my visit to China from 13-17 December 2002 were the first USPACOM bilateral military-to-military contacts with China since March 2001. One objective of these exchanges is to demonstrate the quality of our forces and our values by developing personnel exchanges between the younger generation of China's People's Liberation Army (PLA) and U.S. military personnel.

Taiwan. For Taiwan, our actions are guided by the Taiwan Relations Act. We have worked this past year to support self defense improvements that can best meet Taiwan's identified defense needs. We want Taiwan to remain stable, democratic, and economically prosperous while it develops a professional, civilian-controlled defense establishment with a modernized, joint operations-oriented military.

Asia-Pacific Center for Security Studies (APCSS) brings together current and future military and civilian leaders to discuss regional security concerns. The Center provides a unique platform to discuss security issues while promoting USPACOM and OSD regional cooperation policies. Now more than ever, we realize each country must contribute to regional security to assure its continued political, economic, and social stability. Through executive courses and conferences, the APCSS gives Asia-Pacific leaders a regional forum to recognize security challenges, not only from a U.S. viewpoint but also from the perspective 45 participating nations, including Russia, Chile, Canada, and Pakistan.

Center of Excellence (COE). COE's peace operations seminars have improved peace support capabilities in countries such as Thailand, Malaysia, Nepal, Bangladesh, and the Philippines. This improvement is evident in Thai and Filipino participation in peace stability operations in Aceh, Indonesia. These and other COE activities demonstrate our long-term commitment to relationships across the civil-military spectrum in the Asia-Pacific region. The Center's contributions complement other efforts to eliminate immediate terrorist threats. COE continues to prepare our forces to perform effectively in more complex environments with new actors and less predictable behaviors toward civilian victims of conflict. The Center's unique position as a civil-military humanitarian organization allows it to engage authorities from diverse countries in non-intrusive ways that help USPACOM reach out to new and otherwise reluctant partners. Your support for the COE in Disaster Management and Humanitarian Assistance provides valuable assistance in executing USPACOM priorities.

Chiefs of Defense (CHOD) Conference. One of our premier theater security activities, USPACOM annually hosts this regional conference, bringing together Asia-Pacific CHODs (CJCS equivalents) for a series of discussions on regional defense issues. The November 2002 conference, which was held in Singapore and was co-hosted by the Singapore Armed Forces and Chief of Defense

Lieutenant General Lim Chuan Poh, gathered senior military leaders from 21 nations, including the Vice Chairman of the U.S. Joint Chiefs of Staff, General Pace. The conference's theme, "Meeting Security Challenges in the 21st Century," provided a forum for candid dialogue among senior leaders. The October 2002 Bali bombings heavily influenced discussions and underscored the ability of terrorists to cut across borders and present a common regional and global threat. The CHOD's conference continues to provide an excellent opportunity to foster understanding, build confidence among participants, strengthen relationships, and promote stability.

Foreign Military Financing (FMF) provides vital support to developing countries involved in the GWOT. Funds provided in the Foreign Operations, Export Financing and Related Appropriations Act, 2002 and the emergency FMF Supplemental directly supported Security Cooperation priorities in the East Asian Littoral and other regions in USPACOM. While ultimately delivering the military articles, services, and training required to support the efforts of our friends and allies that promote U.S. security interests, bureaucratic Security Assistance (SA) processes have difficulty meeting operational needs in the dynamic environment. We have submitted to the Secretary of Defense recommendations for improving the process to meet 21st century challenges. We appreciate your support of SA programs and our efforts to improve their responsiveness.

International Military Education and Training (IMET) is an effective, low-cost component of the SA effort. The program provides U.S. access to foreign governments and influences those governments far out of proportion to its modest cost. Furthermore, it exposes future leaders to U.S. values and commitment to the rule of law and the role of a professional military in a democratic society, and it promotes military professionalism. Recent restoration of full IMET to Indonesia is a welcome development. Having a core group of well-trained, professional leaders with first hand knowledge of our

values and democratic institutions will make a difference in achieving our strategic security goals in Indonesia and throughout the theater.

Acquisition Cross-Servicing Agreements (ACSA) or Mutual Logistic Support Agreements (MLSA) have enhanced interoperability and readiness and provided a cost effective mechanism for mutual logistics support for U.S. and Allied Forces. USPACOM forces that participated in the FY02 multinational exercise COBRA GOLD greatly reduced their logistics footprint by using an ACSA. Three countries within USPACOM's AOR have deployed forces outside our AOR under ACSA provisions in support of the GWOT - Australia, New Zealand, and the Republic of Korea. Thus far, these countries have benefited from approximately \$350,000 worth of logistics support, supplies, and services via reimbursable ACSA transactions. Primary logistics support provided includes food, medical services, dental support, force protection, transportation/material handling equipment, billeting, vehicle/equipment maintenance, and fuel. Thailand is preparing to deploy forces to the USCENTCOM AOR soon in support of the GWOT, and the ACSA has been instrumental in providing Thai forces with cold weather and NBC gear on a reimbursable basis. USPACOM has 10 ACSAs in place (Philippines, Australia, Korea, Japan, Singapore, Malaysia, Thailand, New Zealand, Fiji, and Tonga) with eight other countries within our AOR in DoD's ACSA - Eligible status (India, Indonesia, Bangladesh, Nepal, Brunei, Maldives, Madagascar, and Sri Lanka). We will continue to negotiate with ACSA-Eligible countries to expand the options we have to integrate coalition capabilities.

Forward stationed or deployed military presence provides the leading edge of U.S. combat power and forms the cornerstone of deterrence. Within the Asia-Pacific region this equates to roughly 100,000 forward-deployed personnel located primarily in the Republic of Korea and Japan. These forces deter conflict, dissuade competition, respond to crisis, man the infrastructure to receive follow-on forces, and fight if necessary. USPACOM is committed to developing the most effective regional command and control constructs to maximize the employment of our forward-deployed forces. In conjunction with

ongoing DoD restructuring initiatives, we are reviewing these command and control structures and our force posture to ensure they are consistent with today's operational requirements and geo-political realities. The goal is to consolidate and transform our headquarters in Japan, the Republic of Korea, and throughout the region to provide an immediately employable force capable of decisive operational effects. Of course, these improvements will be undertaken in close consultation with our allies. Prototype command and control constructs such as the Joint Mission Force or Standing Joint Force Headquarters leverage both enhanced joint warfighting equities and transformation dividends. Along with our efforts to improve our command structure, we will continue to develop diversified access throughout the region. We foresee ongoing requirements to consolidate and improve our facilities in Korea, Japan, and other locations in the region. We also expect to enhance our access to facilities in Southeast Asia (SEA) and the South Asia Indian Ocean (SAIO) area to meet regional and global requirements and support the GWOT and other operational or contingency demands.

Promoting "Change" and Improving the Asia-Pacific Defense Posture

Our country is undergoing the most fundamental transformation of its defense strategy and Armed Forces since the Second World War. Guidance for this transformation is clear and starts with the National Security Strategy. At USPACOM, we are putting that guidance into action, operationalizing it with Asia-Pacific emphasis. Our efforts include strengthening command and control constructs, updating plans, improving force posture, diversifying access and enroute logistics, improving capabilities for immediate employment, and developing new operating patterns and concepts.

Our progress toward successful transformation of our force is the result of a deliberate, iterative process of innovation and experimentation. This process necessitates that we collaborate and stay in close touch with service initiatives - ensuring they are synchronized into the joint team. Likewise,

we continue to build a collaborative bridge between our experimental efforts and the experimentation underway in USJFCOM, the lead command for joint experimentation.

Consistent with Secretary Rumsfeld's Transformation Planning Guidance, USPACOM has a multifaceted program covering a broad range of technological, organizational, and conceptual initiatives. It is a focused effort to explore and integrate innovative concepts and mature technologies to address our toughest challenges to effective joint operations.

Our transformation and experimentation efforts are necessary steps in advancing improvements to the speed of action and effectiveness of joint operations across strategic, operational, and tactical force levels. To date, our new standing operating procedures and enhancements to collaboration have yielded as much as two weeks' reduction in time to stand up and deploy a Joint Task Force (JTF) in response to a contingency. By experimenting with and fielding mature technologies and prototype decision tools - placing them in the hands of operators well within the traditional acquisition cycle time - we have established information superiority and enhanced efficiency for theater command and control. With continued support, we can zero-in on even greater improvements to JTF effectiveness, such as integration and synchronization of operational fire and maneuver, surpassing information superiority with decision superiority, and expediting the fielding of mature technologies and concept prototypes to forward-deployed JTF Commanders.

Within USPACOM, our Joint Mission Force (JMF) initiative provides the coherent framework for experimentation and transformation to enhance JTF operations across the spectrum of missions from forcible entry through humanitarian assistance. This mature initiative has allowed us to focus our transformational efforts toward a specific end-objective: seamless joint operations. The JMF concept will serve as USPACOM's segue to implementing the Standing Joint Force Headquarters as directed in the Defense Planning Guidance.

Each year during exercises such as COBRA GOLD, our multilateral exercise co-hosted with Thailand, and TANDEM THRUST, our theater-wide biennial joint exercise with Australia, we experiment with JMF initiatives that address our "Top Ten Challenges" to enhancing JTF speed of action and effectiveness. By experimenting while we exercise, we can accurately assess the military utility of new technologies and procedures. As a direct result of success during exercises, JMF has fielded several key technologies within USPACOM's designated JTFs. Over the past year, Bandwidth Monitoring and Control devices have given our JTFs dynamic control of limited bandwidth for critical communications. The Automated Deep Operations Coordination System (ADOCS) now provides USPACOM Headquarters Joint Operations Center and our JTFs an interoperable tool for sharing a common operational picture for dynamic tracking and targeting and for conducting personnel recovery operations. JMF has provided our designated JTFs with a suite of collaborative tools and the training required for planning, executing, and assessing joint operations. Our design and implementation of a standard JMF web tool provides an internet "one-stop shop" for JTF real-time information sharing, planning, and execution.

Additionally, JMF has operationalized other important command-wide capabilities such as our Combined Operations Wide Area Network (COWAN) for secure operations with our coalition partners, the Asia-Pacific Area Network (APAN) for civil-military and non-government organization operations with coalition forces, telemedicine for joint medical operations (JMO-T), and language translation capability such as DARPA's "Phraselators."

To bridge the gap between our major joint exercises, hone readiness, and provide periodic spiral development opportunities, USPACOM conducts routine command and control exercises (C2X). These short duration, vignette-driven exercises not only test our JTF command and control procedures, they also provide an important venue for spiral technology and procedural development

and fielding. This JMF initiative has proven effective in USPACOM as a readiness-enhancer.

Over the next 2 years, with your support, USPACOM's Joint Mission Force will integrate emerging technologies into information operations and intelligence, surveillance, and reconnaissance management. Our transformation and experimentation initiatives include our coalition partners.

In Korea, we have worked Integrated Total Asset Visibility and language translators during exercise ULCHI FOCUS LENS. USFK has the lead for the Theater Precision Strike Operations ACTD and this year is sponsoring the Theater Effects-Based Operations ACTD.

We have installed our JMF Web tool on the Japan Self-Defense Force bilateral secure wide-area network. We also have an information sharing agreement with Japan, and Japan has used Coalition Rear Area Security Command and Control in exercises such as KEEN EDGE and YAMA SAKURA.

As COBRA GOLD 2002 participants, Singapore Armed Forces and Royal Supreme Thai Command members were directly involved with our initiatives for collaboration tools, virtual Civil Military Operations Center, and COWAN. Additionally, Singapore is participating in the SPARTAN ACTD and is pursuing involvement in other ACTDs, such as RESTOPS and JTF WARNET (Wide Area Relay Network).

The JTF WARNET initiative approved by the Joint Requirements Oversight Council (JROC) on 25 April 2002 provides organic, wireless secure Internet Protocol-based connectivity among tactical components of a JTF. WARNET applications, interfaces, and procedures enhance JTF command and control by sharing tactical situational awareness data among service command and control systems, enabling joint fires and collaborative planning and execution. JTF WARNET provided tactical-level force integration during MILLENNIUM CHALLENGE 2002. We will conduct WARNET regional tests and a pre-deployment exercise in Hawaii and Japan in FY03 before WARNET becomes a JTF operational capability in FY04, culminating in COBRA GOLD 2004.

USPACOM served as the host Combatant Command for the Joint Warrior Interoperability Demonstration (JWID) 2002 and will host JWID 2003. For the first time, Japan, Korea, and Singapore have been invited to sit on the Coalition Task Force (CTF) staff. Their inclusion in the traditional mix of U.S., NATO, U.K., Canada, Australia, and New Zealand participants is pushing the envelope on coalition interoperability as it demonstrates the true nature of our interoperability challenges.

The Regional Defense Counter-Terrorism Fellowship Program complements the IMET program. DoD funding has sent foreign military officers to U.S. military institutions and selected regional centers for non-lethal education. This program has provided regional combatant commands with additional flexibility in executing our security cooperation strategies and has had an immediate and positive impact in encouraging reform, professionalism, and regional cooperation in addressing counter-terrorism and other transnational threats.

The fellowship focus for USPACOM has been toward educational programs that encourage these advancements among Asia-Pacific nations addressing transnational threats with a focus on counter-terrorism. Specific courses have assisted in minimizing terrorist threats in the Asia-Pacific region, severing links between indigenous terrorist groups and global terrorist networks, allowing the establishment of a more professional military, developing stronger mutual security partnerships, and enhancing theater security cooperation. We are using the program to provide non-lethal training to Indonesian, Malaysian, and Philippine military officers at U.S. military educational institutions. U.S. military courses provide the basics for success in any military operation. A secondary benefit is the exposure students receive to the higher standards of ethics and behavior associated with a professional military that is under competent civilian control. Your continued support in providing this flexible funding alternative is appreciated.

C2 for Coalitions. The Multinational Planning Augmentation Team (MPAT) Program involves a group of military planners from the U.S. and many nations in USPACOM's Area of Interest. The purpose of MPAT is to increase operational interoperability among participating countries' interoperable planners who can rapidly augment a multinational force headquarters in response to a regional crisis. Using multinational, but standardized skills and procedures, MPAT planners would plan and execute coalition operations to support a multinational and interagency response to a small-scale contingency. Through a series of workshops and information exchange events, including four major crisis action planning exercises, MPAT members have developed a knowledge base of the various national crisis action planning procedures in the Asia-Pacific region. They have also developed a strong working relationship with each other. Military planners from over 25 countries and representatives from the UN and various non-governmental and international organizations have attended these workshops.

As part of the MPAT initiative, we and other nations in the region are developing a multinational force Standing Operating Procedures (MNF SOP) that any nation leading a coalition crisis response relief effort can use. This MNF SOP has coalition/combined task force activation, forming, and planning procedures focused on military operations other than war (MOOTW), from humanitarian assistance through peace operations, and includes counter-terrorism aspects. Planners from 30 nations practice and validate the MNF SOP during MPAT and other multinational exercises each year.

Since the Asia-Pacific region does not have a regional NATO-like organization, the MPAT and MNF SOP efforts represent the major regional program aimed at developing multinational procedures and maintaining a cadre of multinational military planners using common planning and operating procedures for coalition operations. USPACOM's Internet-based Asia Pacific Area Network (APAN) enables the working-level communications required to develop these procedures. APAN's easily accessible collaborative capability

enables us to extend regional dialogues begun in functional forums such as CHOD conferences into exercises and operations that improve our regional response to the growing range of military missions we face today. The ability to place instructional material on APAN for mutual benefit of the U.S. and Asia-Pacific partners would enhance the USPACOM Theater Security Cooperation program and U.S. national security interests. The provision of internet-based training and education should include such programs as Advanced Distributed Learning and similar internet tools. USPACOM could thereby more effectively use focused military education programs to develop regional skills required to accomplish cooperative security missions, improve civil-military relations, increase respect for human rights, and strengthen democratic principles.

I would like to express our appreciation for past congressional support of the Asia-Pacific Regional Initiative (APRI) appropriations -- support that has ensured a robust beginning for these programs. As we continue with the MPAT and MNF SOP development, we will improve the capabilities and interoperability of countries in the region to support operations that we may lead while enhancing the ability of other countries to lead coalition operations as well.

Joint Task Force Full Accounting (JTF-FA). Achieving the fullest possible accounting of Americans is a high USPACOM priority, and we will continue to devote the necessary personnel and resources to obtain the answers the POW/MIA families so richly deserve. During Fiscal Year 2002, JTF-FA conducted 10 joint field activities (JFAs) - 4 in Vietnam, 5 in Laos, and 1 in Cambodia. The JTF-FA field teams investigated 211 cases and excavated 50 sites. In total, they recovered and repatriated remains believed to be those of Americans unaccounted-for from the war in Southeast Asia from 27 sites (9 in Vietnam, 12 in Laos, and 6 in Cambodia). Furthermore, 31 individuals from recovery operations were identified and returned to their loved ones during this period. JTF-FA will maintain its pace of operations in FY03, with 10 JFAs scheduled - 4 in Vietnam, 5 in Laos, and one in Cambodia. JTF-FA will

also conduct an underwater survey in China.

Following Deputy Secretary Wolfowitz's direction to determine the feasibility of merging JTF-FA and the Army's Central Identification Laboratories, Hawaii, we have put in place a comprehensive plan of action and milestones to ensure a smooth merger and standup date of 1 October 2003. Merging of the two units under a single command is operationally sound and will clearly demonstrate our government's commitment to our unaccounted for citizens. Three critical items remain. First, realignment of the Department of the Army's Central Identification Laboratory Hawaii (CILHI) funding to the Department of the Navy as Executive Agent for USPACOM and the merged organization. Second, transfer of Department of the Army civilian positions and functions to the Department of the Navy. Third, determining the permanent location of this new organization with the attended adjustment and advancement to the CILHI approved FY-08 MILCON headquarters building project.

Land Partnership Plan (LPP). The Commander of U.S. Forces Korea (USFK) has reached agreement with the ROK government on an LPP that will consolidate U.S. force presence. The plan will reduce the number of major U.S. bases in Korea from 41 to 23 while significantly enhancing training and combined warfighting capability - better supporting our long-term regional strategy. The LPP will also have a significant positive affect on the quality of life of our servicemen and women and their families assigned to our forces on the peninsula. Our partner is committed - the LPP has received the full backing of the Korean government and its National Assembly, and will be a model for future discussions.

Advanced Concept Technology Demonstrations (ACTDs). USPACOM continues to lead in innovating tactics, techniques, procedures, and concepts of operations that make the nation's investment in science and technology productive for our Soldiers, Sailors, Marines and Airmen in the field. We do so through a continual cycle of experimentation, demonstration, and special

projects aimed at our early understanding of emerging technologies and their impact on military operations in the Asia-Pacific region.

Transformation depends heavily on ACTDs. Today we are involved in 19 ACTD projects, more than any other regional command. We have distributed the Transformation workload across the whole theater - almost all service component and Sub-Unified Commanders and most of my Staff Directors have responsibility for executing one or more ACTD.

Our new FY03 ACTD will provide us with new tactical capabilities. The Overwatch ACTD will give us a capability to detect and pinpoint sniper fire in an urban environment, enhancing security and situational awareness for our troops in the field. In addition to our new ACTDs, we have pioneered co-development of technology with Singapore with the SPARTAN Unmanned Surface Vessel ACTD. This ACTD provides technological developments to improve capabilities for multi-mission packages in Mine Warfare, force protection, precision strike, and intelligence, surveillance, and reconnaissance. Additionally, it will enhance battlespace awareness and increase force protection for surface and subsurface operations through the unmanned surface vessel with modular sensor packages.

The ACTD program is clear proof that when system developers and operators come together we can get useful military products into the hands of the user faster than with standard acquisition. However, this is only true if the technology successfully transitions into a program of record. I am proud to report that we will successfully transition all five of our ACTDs completed this year. Soon all combatant commanders will reap benefits in the areas of Joint Fire Control, personnel recovery, small unit logistics, telemedicine, and decision-support tools from our completed projects.

Our Joint Experimentation program focuses on Joint Task Force (JTF) operations. It is fully coordinated with the U.S. Joint Forces Command's Joint Experimentation Program and includes technology insertion experiments during our regular exercises to advance our state of practice of JTF

operations, both in the U.S. only venue and in coalition venues. This year, we executed the first two major experiments. The first occurred as part of our C2X exercise series where we train to establish command and control of a deployed JTF. The experiment augmented our normal C4I surveillance and reconnaissance equipment suites with new capabilities to manage and control information flow on the JTF networks and provide enhanced fires management capabilities across the joint force. Our second experiment occurred in a coalition environment during the COBRA GOLD exercise with Thailand, Australia, Singapore, and Malaysia. We also added new technology from Defense Advanced Research Projects Agency (DARPA) to improve network security and the commander's understanding of the war plan. We are finding that by experimenting as we exercise, we can provide a continuous series of warfighting improvements that are field tested in joint and combined operations before we make key procurement decisions.

I've highlighted just a few of the experimentation and modernization initiatives in USPACOM. Our initiatives, like those of other Regional Combatant Commanders and the Services, in concert with USJFCOM, promise to modernize the force and enhance mission capability. We are working hard with USJFCOM to synchronize and bring coherence, prioritization, and continuity to the transformation of our forces.

SUMMARY STATEMENT

America's Armed Forces in the Pacific continue to promote security, peace, and prosperity in the Asia-Pacific region. Through the professional efforts of our dedicated men and women, we continue to assure our allies, dissuade our adversaries and deter aggression. We are relentlessly pursuing terrorists, improving our force protection posture and maintaining our readiness so that if called upon, we will decisively defeat any adversary. U.S. Pacific Command's priorities for the near term remain unchanged: sustaining and supporting the Global War on Terrorism; improving our Readiness and Joint Warfighting Capability; improving the Quality of Service for our

Soldiers, Sailors, Airmen and Marines; reinforcing the Constants in the Pacific Region; and promoting change and improving our Asia-Pacific Defense Posture for the Future.

The men and women of the U.S. Pacific Command welcome this opportunity to tell their story. The support of the Congress and the American people is greatly appreciated. Thank you.

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HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
GENERAL LEON J. LAPORTE
COMMANDER UNITED NATIONS COMMAND,
COMMANDER, REPUBLIC OF KOREA-UNITED STATES COMBINED FORCES COMMAND
AND UNITED STATES FORCES KOREA
BEFORE THE 108TH CONGRESS
HOUSE ARMED SERVICES COMMITTEE

12 MARCH 2003



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Introduction

Mr. Chairman and distinguished members of the committee, I am honored to appear before you as Commander, United Nations Command; Commander Republic of Korea-United States Combined Forces Command; and Commander, United States Forces Korea. On behalf of the more than 37,000 Soldiers, Sailors, Airmen, Marines, and 5,700 civilians serving in Korea, I thank you for your unwavering support which enables us to maintain readiness and accomplish our deterrence mission on the Korean peninsula. I appreciate this opportunity to present an assessment of the command's status.

This has been an extraordinary year in Korea. 2002 marked the 4th democratic transfer of power in the Republic of Korea, renewed South Korean efforts toward inter-Korean reconciliation, and the first World Cup hosted in Asia. In contrast, there were some discouraging incidents as well: North Korea's calculated armistice violation in the West Sea, exposure of the North Korean nuclear weapons programs, a tragic training accident in June, and cyclic rise of anti-United States Forces Korea sentiment. With consistency and determination, North Korea attempts to split the Republic of Korea-United States Alliance by exploiting these events. Our Alliance weathered these incidents and continues to be the foundation of peace and security throughout the Northeast Asia region. These incidents have firmly reinforced three points: the consequences of events in Korea affect the entire world; continued United States presence in Northeast Asia is critical to regional stability; and the Republic of Korea-United States Alliance is essential to regional security.

Today, I will address current and future requirements by looking at: ***the Northeast Asia security environment; the North Korean challenge to regional and global security; the Republic of Korea-United States Alliance; and my command priorities – Ensure peace and stability on the Korean peninsula, Readiness and Training, Strengthen the Republic of Korea-United States Alliance, Transform the Command, and Make Korea an Assignment of Choice.***

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The Northeast Asia Security Environment

Northeast Asia is a nexus of economic might, competing interests, converging threats, cultures, and historical animosities. Over 17 percent of the world's trade value is with countries in Northeast Asia, and United States trade with the region is second only to our trade with the North American Free Trade Association.¹ Many of the nations in the region—China, Japan, Russia, and the Republic of Korea—are contending for economic and political influence. Enduring cultural and historical animosities remain a dynamic political force. This region marks the convergence of five of the world's six largest militaries, and three of the five declared nuclear powers. Today, the current military demarcation line between North and South Korea is the most heavily armed in the world and remains an arena for confrontation. North Korea's pursuit of nuclear weapons and proliferation of missile technology threatens regional and global stability. United States presence in Korea demonstrates our firm commitment to defend democratic values and prevent our enemies from threatening us—and our partners—including with weapons of mass destruction. Our forces in Korea send the clear message that we will stand with our allies and friends to provide the stability that promotes prosperity and democratic values.

The Republic of Korea Today

The Republic of Korea is fast becoming a global economic competitor. In 2002 the Republic of Korea's economy grew six percent while boasting the world's 11th largest Gross Domestic Product and third largest cash reserves.² The South Korean people are justifiably proud of these achievements and The Republic of Korea's increasing international prominence. The Republic of Korea's vision of the future is to diversify its economy by becoming the

¹ Derived from US Census data. For the first 11 months of 2002, total trade with Northeast Asia (\$US billion) are: Japan \$172.92, China \$148.13, Republic of Korea \$58.13, Taiwan \$50.60. Trade with NAFTA during the same period was \$557.39 (Canada \$342.55 and Mexico \$214.73), (<http://www.census.gov/foreign-trade/top/dst/2002/11/balance.html>, accessed 19 FEB 2003).

² United States Department of State, *Country Commercial Guide Korea, Fiscal Year 2003*

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"transportation, financial, and information technology hub of Northeast Asia."³ This vision seeks to route Northeast Asia, Europe, and the Americas trade through the Republic of Korea using an inter-Korean transportation system. To achieve this goal the Republic of Korea must significantly increase cooperation with North Korea. Inter-Korean initiatives begun by former President Kim, Dae Jung and continued by President Roh, Moo Hyun pursue reconciliation for cultural, economic, and humanitarian reasons. The Republic of Korea's engagement policies toward North Korea profoundly affect how South Koreans view their relations with the United States and North Korea.

Many South Koreans under age 45, a generation that has lived in an era of peace and prosperity, have little or no understanding of the North Korean threat. These South Koreans perceive North Korea not as a threat but rather as a Korean neighbor, potential trading partner and a country that provides access to expanded Eurasian markets. This perception of North Korea contrasts with America's view that North Korea is a threat to regional and global stability. This divergent view of North Korea, coupled with strong national pride, has been a cause of periodic tension in the Republic of Korea-United States Alliance.

There have always been groups in the Republic of Korea that are critical of United States policy and claim that the United States hinders inter-Korean reconciliation. Demonstrations against American policy and military presence increased sharply during this year's Republic of Korea presidential election. Political interest groups made claims of inequity in the Republic of Korea-United States alliance a central issue during the presidential campaign. Opposition groups exploited a United States military court's acquittal of two American soldiers charged with negligent homicide in the tragic training accident that claimed the lives of two

³ President Roh, Moo-hyun announced his intent to position the Republic of Korea as the "economic powerhouse of Northeast Asia" in public appearances, he amplified this vision stating that he sought to make South Korea the transportation, financial, and information technology hub of Northeast Asia. For President Roh's national priorities, see Korea Herald articles at http://kn.koreaherald.co.kr/SITE/data/html_dir/2003/01/11/200301110003.asp.
http://kn.koreaherald.co.kr/SITE/data/html_dir/2002/12/28/200212280010.asp.

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South Korean schoolgirls last June. Non-governmental organizations asserted that the Status of Forces Agreement (SOFA) was unjust and that the acquitted soldiers should have been tried in a Republic of Korea court rather than by a United States military court. During the presidential election campaign, these groups used biased and inaccurate media reporting to inflame anti-United States Forces Korea sentiments and mobilize demonstrations, a traditional tool of political protest in the Republic of Korea. Regrettably, several of these protests turned violent.

Since the December 2002 Republic of Korea presidential election, anti-United States Forces Korea demonstrations have virtually disappeared, due in large part to positive steps taken by United States Forces-Korea, the United States Embassy, and the Republic of Korea government. Through our Republic of Korea-United States Status of Forces Joint Committee process, we identified ways to improve implementation of the 2001 Status of Forces Agreement. Convening a Republic of Korea-United States Status of Forces Agreement Special Joint Task Force, we incorporated recommendations in vehicular safety, convoy operations, and joint investigation procedures. This Special Joint Task Force assisted United States Forces Korea and the Republic of Korea's government in explaining the provisions of the Status of Forces Agreement to the Korean people.

The prompt and comprehensive actions of the Status of Forces Agreement Joint Committee addressed the concerns of many South Koreans. Shortly after his election, President Roh, Moo Hyun voiced support for a strong Republic of Korea-United States alliance and continued United States military presence in Korea even after reconciliation. Acknowledging the rationale for the Alliance, he expressed a desire to re-examine the relationship based on the principles of equal partnership and greater emphasis on shared interests. Since the presidential election, pro-American groups, some as large as 100,000 people, in the Republic of Korea have conducted demonstrations supporting the continued

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stationing of United States forces in the Republic of Korea. In this the 50th anniversary of the Alliance, we have an opportunity to revitalize the Alliance in constructive ways that enhance this mutually beneficial partnership while ensuring peninsula and regional security.

We can improve the Republic of Korea-United States Alliance by closely examining the roles, missions, capabilities, force structure, and stationing of our respective forces. This includes the Republic of Korea assuming the predominant role in its defense and increasing both Republic of Korea and United States involvement in regional security cooperation. These efforts will enhance our partnership while fully acknowledging the Republic of Korea's contributions to burdensharing, support to the war on terror, and their modernization program for defense of the Republic of Korea.

Republic of Korea Defense Burdensharing

Defense burdensharing is an important part of maintaining the readiness of United States Forces Korea. The Republic of Korea burdensharing contribution in 2002 was \$490 million, 41 percent of total United States Forces Korea non-personnel stationing costs, behind Japan and Germany in Allied burdensharing. In 2003, the Republic of Korea's contributions will increase to \$539.5 million. The Republic of Korea's annual burdensharing contributions have increased significantly since the Asian financial crisis, rising over \$206 million (62 percent) since 1997.

The Republic of Korea's support for the war on terror

The Republic of Korea has continued its steadfast support to the global war on terror. The Republic of Korea's National Assembly extended its mandate through 2003 and increased its commitment of support forces to Operation ENDURING FREEDOM. Today Republic of Korea liaison officers are planning and coordinating with their United States counterparts at both Central Command and Pacific Command headquarters. The Republic of Korea's military is supporting the war on terror from Tampa, Florida, throughout the Pacific, and in Kyrgyztan and

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Afghanistan. The Republic of Korea has provided several contingents of support troops to include a navy transport ship moving essential airfield material to Diego Garcia, four C-130 cargo aircraft to support the United States Pacific Command's operations, and a hospital unit in Bagram. In February 2003, a Republic of Korea engineering unit began deployment to Bagram Air Base, Afghanistan. In addition, the government of the Republic of Korea has provided \$12 million of their \$45 million pledge to fund humanitarian and rebuilding efforts in Afghanistan.

Republic of Korea's military modernization

The Republic of Korea's Ministry of National Defense has made a long-term commitment to acquire the necessary capabilities to secure the Republic of Korea against current and emerging threats. The Republic of Korea's military modernization program involves significant purchases of United States equipment to improve interoperability. Over the last decade, 82% of the Republic of Korea's equipment purchases have been United States equipment. Last year direct Foreign Military Sales of United States military equipment to the Republic of Korea exceeded \$1.8 billion and commercial agreements were reached to deliver over \$4 billion of additional military equipment over the next few years. Boeing was awarded the contract to deliver 40 F-15K aircraft between 2005 and 2008. This year, the Republic of Korea is taking delivery of 20 additional KF-16 aircraft, procuring its second battalion of Multiple Launch Rocket Systems, and extended range munitions. The Republic of Korea's Navy is building three new destroyers, equipped with the AEGIS system.

The Republic of Korea's military has made strides in improving its capabilities, however, its small budget, as a fraction of Gross Domestic Product, restrains modernization efforts. In 2003, the Republic of Korea's defense budget increased 6.5 percent to \$14.2 billion but fell from 2.8 percent to 2.7 percent of Gross Domestic Product. This has left some key programs unfunded or delayed, continuing a 10 year trend. The Republic of Korea has delayed purchase of critical equipment in the required quantities—theater air and missile defense systems, early

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warning and control aircraft, and upgraded equipment for their Special Operations units. Acquiring these systems provides critical capabilities to ensure the Republic of Korea's security against threats posed by North Korea.

North Korean Challenges to Regional and Global Security

North Korea is a dangerous dictatorship that continues to threaten peace, security, and stability in Northeast Asia. The Kim Jong-il Regime uses illicit activities to fund the extravagant lifestyles of the inner circle and is using its military capabilities to extort resources from the international community. North Korea poses several threats to global stability: an economy on the brink of collapse; an active nuclear weapons development program; growing proliferation of missiles, chemical, and biological weapons technologies; and large conventional forces and special operations forces that directly threaten our Allies. North Korean brinksmanship ensures that the Korean Peninsula remains a place of palpable danger, illustrated by North Korea's unprovoked attack on a Republic of Korea patrol boat in the West Sea on 29 June 2002 and North Korean efforts to develop highly enriched uranium nuclear weapons. North Korea continues to flagrantly violate its international agreements resulting in increased regional tensions. The Republic of Korea and United States forces continue to face the possibility of a high intensity war involving large conventional forces and significant weapons of mass destruction.

North Korean Political Environment

Kim Jong-il is firmly in control. He is the ultimate decision maker who controls the state security apparatus and occupies all key party, military, and government leadership positions. Kim relies on a core group of elites to maintain power. This inner circle, not the formal hierarchy of the party and government, run all the major North Korean institutions. Kim provides the ruling elite with a relatively luxurious lifestyle, while the masses live in poverty. Kim's overriding goal

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is regime survival. His intent remains to dominate the Republic of Korea and to reunify the peninsula under North Korean leadership.

North Korean Economic Environment

The most pressing problem facing North Korea is its failing economy. Economic output has shrunk by nearly one-half since 1993. The country suffers from obsolete production facilities and severe shortages of capital, energy and raw materials. Industrial facilities, other than those devoted to defense industries, are nearly beyond repair as a result of more than a decade of under-investment and critical spare parts shortages. Most factories operate at less than 25 percent capacity.

Despite severe economic problems and acute deprivation among the general populace, the Kim Regime chooses to maintain a large, capable, and forward deployed conventional military force. North Korea's "Military First" policy ensures the military receives top priority in all resources, at the expense of the North Korean people. The military consumes about one third of the North Korean budget. The military operates a parallel economy producing conventional weapons, missiles, and illegal drugs for sale on the open market as well as large-scale smuggling and currency counterfeiting. Most of the profits from these activities accrue directly to the military, with the remainder going to Kim and the elite. Kim Jong-il continues to buy the loyalty of his elite by providing luxury cars, housing, food, and special medical care.

To prop up the progressively deteriorating North Korean economy, Kim Jong-il has implemented a number of initiatives. He has invigorated ideological campaigns that demand loyalty and perseverance – encouraging the North Korean people to endure hardships for the good of the nation. To complement the ideological campaign, the Kim Regime has tightened security and increasingly militarized North Korean society to preclude broad internal dissent. North Korea has turned to foreign aid, primarily from the United States, the Republic of Korea, Japan, and China to meet its food and fuel needs. The Kim Regime has implemented limited

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economic reforms, including unprecedented wage and price increases, designed to jump-start the economy; however these efforts have not revitalized the North Korean economy. Unless North Korea embraces a more open market economy – a prospect that Kim, Jong-il fears will threaten his control – we expect no significant economic improvement in the foreseeable future.

North Korean Nuclear Issues

North Korea's nuclear weapons program poses a very serious threat to the United States and our allies, risks regional stability, and challenges the international non-proliferation regime. During a meeting with Assistant Secretary of State James Kelly in early October 2002, North Korea acknowledged its pursuit of a covert program to enrich uranium for nuclear weapons. In a 16 October statement, North Korea admitted a series of actions that violate the Nuclear Nonproliferation Treaty, the International Atomic Energy Agency Safeguards Agreement, the 1992 Joint North-South Declaration on the Denuclearization of the Korean Peninsula and the 1994 Agreed Framework. We assess that the Kim Regime believes possession of nuclear weapons will guarantee survival.

The North Koreans have again resorted to brinksmanship using the nuclear issue in an effort to gain economic and political concessions through negotiations. On 10 January 2003, they expressed their intention to withdraw from the Nuclear Non-Proliferation Treaty. Restarting the Yongbyon nuclear reactor near Pyongyang has prompted fears that it intends to produce nuclear weapons in the near future. If North Korea begins reprocessing existing fuel rods at the Yongbyon facility, it could produce enough material for five to eight nuclear weapons within a year. North Korea's history of selling missiles and missile-related technologies to any state or group with hard currency raises serious concerns about the potential for nuclear weapons technology or scientific know-how to find their way from North Korea to the hands of terrorists.

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FOR OFFICIAL USE ONLY***North Korean Ballistic Missile Sales***

North Korea's ballistic missiles, capable of delivering weapons of mass destruction, are a threat to the region and a destabilizing influence in the world. North Korea remains one of the few countries willing to sell to anyone with cash complete missile systems, production facilities, and technological assistance. These sales in turn contribute to instability in regions such as the Middle East and South Asia. Although Kim Jong-il told President Putin and Prime Minister Koizumi last year that the current ballistic missile flight-testing moratorium will remain in place beyond 2003, North Korea has repeatedly threatened to restart missile test launches.

Role of the North Korean Military

The Korean People's Army ensures regime survival by controlling the internal situation and deterring external threats. It is the one instrument of national power that enables North Korea to extract aid from its neighbors in the region. The military also plays a major role in the economy. Although a decade of resource shortages has left the North Korean military ill-prepared to fight and win a war to reunify the Peninsula, there are no indications that the Kim Regime has abandoned the forced reunification option.

Conventional Forces: With 1.17 million personnel, the Korean People's Army is the fifth largest active duty military force in the world. The North Korean air force has over 1,700 aircraft and the navy has more than 800 ships, including a large submarine fleet. The ground force is the world's third largest, with almost one million soldiers, and an estimated six million reserves. About 70 percent of the North Korean Army is deployed south of Pyongyang, where they are capable of attacking with very little tactical warning. The preponderance of the North Korean long-range artillery force can strike Seoul from its current locations.

Asymmetric Threat: The North's asymmetric forces are dangerous, well trained, and well funded by the North Korean military budget. They continue to make methodical improvements in weapons of mass destruction, ballistic missiles, and special operations forces.

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North Korea is openly pursuing weapons of mass destruction. Their program to develop both plutonium and uranium based nuclear weapons has been well documented. North Korea maintains a substantial chemical weapons stockpile and production capability that threatens both our military forces and the civilian population centers in the Republic of Korea and Japan. Additionally, North Korea has the capability to develop, produce, and potentially weaponize biological warfare agents. The principal risk attendant to the North Korean weapons of mass destruction is proliferation – the sale of fissile materials, completed nuclear weapons, and the technology to produce chemical or biological agents to other nations or terrorist organizations.

Their ballistic missile inventory includes over 500 SCUD missile variants that can threaten the entire peninsula. They continue to produce and deploy medium-range No Dong missiles capable of striking cities and United States bases in Japan. According to estimates by the Central Intelligence Agency and the Defense Intelligence Agency, North Korea has an untested ballistic missile capable of delivering a payload the size of a nuclear weapon to parts of the continental United States. Continued research on a three-stage variant of these missiles will provide North Korea the capability to target all of North America. As with weapons of mass destruction, North Korean missile proliferation poses a threat far beyond the Korean peninsula.

North Korea's 122,000-man special operations forces are the world's largest and pose a significant asymmetric threat. We consider them a tough, dedicated, and profoundly loyal force. They undergo year-round training to develop and maintain their skills. During wartime, these forces would attack to disrupt command facilities of the Republic of Korea-United States Combined Forces Command and seek to destroy our force generation capability. The North will concentrate their special operations forces against our critical war fighting nodes while seeking to deny reinforcement from the continental United States.

Force Improvements: The North Korean military is adaptive. They have studied our military actions, most recently in the Balkans and Afghanistan, and adapted their tactics to offset

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our technological advantages. They concentrate their efforts against the combined surveillance, precision attack, and force generation capability of the Republic of Korea and the United States. North Korea continues to improve their command, control, communications and intelligence systems, harden and bury their facilities, improve lines of communication, disperse forces, and improve camouflage, concealment, and deception measures. These efforts increase the survivability of North Korean combat power, and complicate our attack warning capability.

Assessment: North Korea poses a dangerous and complex threat to peace and security on the peninsula and throughout the region. Their growing missile and weapons of mass destruction programs, including a re-vitalized nuclear weapons program, constitute a substantial threat to the world. Moreover, they have shown willingness to sell anything to anybody for hard currency. They will continue to support the military at the expense of the general population and extort aid to prop up their failing economy. We see no indications that the Kim Regime will change the policies of military first, brinkmanship, and missile proliferation throughout the world.

United Nations Command, Combined Forces Command, and United States Forces Korea

Since I took command in May 2002, I have had several opportunities to assess the capabilities and readiness of United Nations Command, Combined Forces Command, and United States Forces Korea. Key events included response to the West Sea Armistice Violation by North Korea, security for development of the inter-Korean transportation corridors through the Demilitarized Zone, and security support for the 2002 World Cup and Asian Games.

United Nations Command

Under the mandate of Security Council Resolutions 82, 83, and 84, the United Nations Command in Seoul provides a standing coalition with 15 member nations to address trans-national interests in regional stability. United Nations Command led the international response

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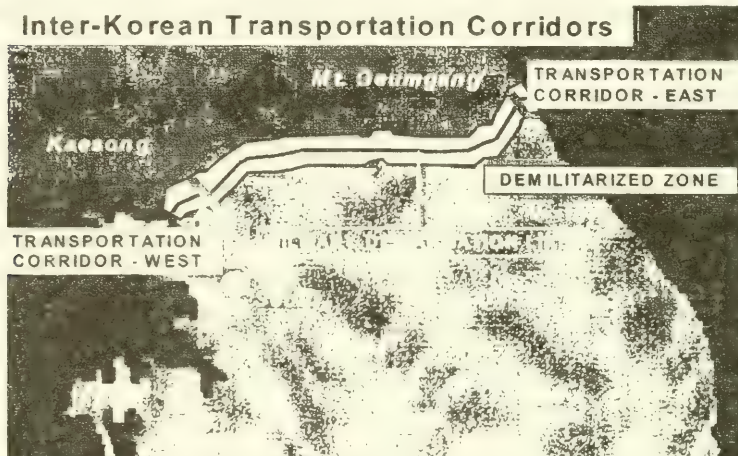
to the 29 June 2002 West Sea Armistice violation by the North Koreans. This egregious, unprovoked North Korean attack in the West Sea sank the Republic of Korea patrol boat *SOSAN*, killing 6 and wounding 19 Republic of Korea sailors. The United Nations Command member nations promptly issued strong statements denouncing the North Korean aggression. Facing this international censure, North Korea reluctantly expressed regret over the incident and agreed to the first United Nations Command–Korean Peoples Army General Officer talks in almost two years. At the General Officer talks, North Korea guaranteed not to interfere with a United Nations Command-led salvage operation. Under the United Nations flag, the Republic of Korea's navy successfully salvaged the sunken boat. United Nations Command observers ensured neutrality and transparency of the salvage operation. The strength of the Republic of Korea–United States Alliance, backed by the United Nations Command member nations, led to a successful West Sea recovery operation and reinforced the legitimate authority of United Nations Command to enforce the Armistice. United Nations Command again provided a stabilizing force and prevented a dangerous situation from escalating into open hostilities.

Following the West Sea salvage operation, the Republic of Korea and North Korea held the Seventh Inter-Korean Ministerial talks, during which they re-invigorated efforts to establish inter-Korean transportation corridors. These corridors allow reconnection of rail lines and roadways through two designated points in the Demilitarized Zone to facilitate inter-Korean humanitarian visits and commerce. To support this Republic of Korea reconciliation initiative, United Nations Command worked closely with the Republic of Korea's Ministry of National Defense to establish special coordination measures between the Republic of Korea's Ministry of National Defense and the North Korean People's Army to speed construction and operation of the transportation corridors while ensuring compliance with the Armistice Agreement and security of the Demilitarized Zone. The first group of passengers crossed the Military Demarcation Line through the eastern corridor on 14 February 2003. This was the first time in

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50 years that citizens of the Republic of Korea crossed directly into North Korea and is a clear demonstration of successful cooperation between the Republic of Korea and United Nations Command. The figure below illustrates the location of the east and west inter-Korean transportation corridors through the Demilitarized Zone.



Combined Forces Command

Combined Forces Command ensures the security of the people of the Republic of Korea. Combined Forces Command provides the military force that deters external aggression and stands ready to defeat any external provocation against the Republic of Korea. Combined Forces Command, composed of air, ground, naval, marine, and special operations components, conducts combined training exercises and readiness inspections to maintain the warfighting readiness that is essential to deterrence. Combined Forces Command headquarters is a fully integrated staff, manned by Republic of Korea and United States military officers. This thoroughly integrated headquarters coordinates the operations that deter external aggression. In 2002, Combined Forces Command assisted with the successful United Nations Command

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salvage operation in the West Sea and with military security support to the World Cup and Asian Games.

Leveraging Combined Forces Command wartime operational procedures, United States Forces-Korea and Republic of Korea forces shared information and conducted combined exercises to deter terrorist infiltrators seeking to disrupt the games. Combined Forces Command operated a Crisis Action Response Team to quickly respond to any type of incident. United States Forces-Korea provided unique biological and radiological defense assets to augment the Republic of Korea's military capabilities. Our close cooperation ensured a secure 2002 World Cup and demonstrated the agility of Combined Forces Command to conduct a wide range of operations.

United States Forces Korea

United States forces in Korea are the tangible demonstration of United States commitment to peace and stability in Korea and throughout Northeast Asia. United States Forces-Korea brings the robust technological superiority, information dominance, and warfighting prowess that complement and buttress the Republic of Korea's military capabilities. Our forward presence deters North Korean aggression and convinces North Korea not to start a devastating war that would only have tragic consequences throughout the region. To maintain the dominance that ensures deterrence, we must maintain state-of-the-art capabilities in Korea. My top priorities for force modernization are: increasing **C4ISR functionality and interoperability**, increasing the pre-positioned stocks of **preferred munitions**, improving **counter fire capabilities, missile defense, force protection, and logistics**. These capabilities support peninsular defense and regional security operations.

C4ISR functionality and interoperability

United States Forces-Korea continues to work hard to achieve the decision superiority needed to execute effects-based operations. We have made significant improvements in the

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combined Command, Control, Computers, Communications, and Intelligence architecture in Korea. Over the last year we have created a combined Common Operational Picture that integrates Republic of Korea Unmanned Aerial Vehicles, Tactical Data Links from both Republic of Korea and United States air and naval vessels and live video feeds from throughout the theater. We seek to expand these capabilities by adding logistics and engineering Common Operational Picture currently under development at Joint Forces Command. We thank you for your support, which has allowed us to progress this far. However, this common operational picture is built on an aging communications infrastructure that is increasingly expensive to maintain. We need to continue improving Command, Control, Computers, Communications, and Intelligence functionality and interoperability.

The strategy for improving our Command, Control, Computers, Communications, and Intelligence requires improved secure digital networks, collaborative planning tools, and enhanced interoperability. Our secure digital networks need significant technology upgrades to improve the efficiency of information exchange. High-speed internet encryption will enable us to prioritize and rapidly transmit secure data throughout the theater. We also need to increase our secure long-haul communications networks to effectively collaborate with United States Pacific Command and the Joint Chiefs of Staff. Improving these networks provides the infrastructure required to upgrade our collaborative planning tools and interactive displays to provide real-time decision support.

Improving interoperability of Republic of Korea and United States Forces-Korea communications systems is paramount. The Program Budget Decision 725 has helped us to address our Command, Control, Computers, Communications, and Intelligence shortfalls. Some examples of key interoperability programs that need your continued support are integration of Republic of Korea Command Post Automation System and United States Global Command and Control System-Korea; integrating tactical Mobile Subscriber Equipment; and

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expanding Automated Deep Operations Coordination System. I urge your continued endorsement of Program Budget Decision 725 to maintain this funding across the Future Years Defense Plan.

Preferred Munitions

The complexity of Korean terrain and weather require the all weather capability provided by precision munitions. Our operational planning leverages "preferred munitions" to conduct precision strike against essential military targets. While we can conduct a successful campaign without precision munitions, it would be longer and more costly in terms of infrastructure damage and human suffering. Korea's weather often impacts our munitions choices, but Global Positioning Satellite-guided Joint Direct Attack Munition and inertial-guided Wind Corrected Munitions Dispenser give us the capability to sustain our operations when the weather precludes the use of other munitions. Some key requirements for this theater are: Joint Direct Attack Munition, Wind Corrected Munitions Dispenser, Conventional Air Launched Cruise Missile upgrades, Guided Multiple Launch Rocket System rockets, JAVELIN and HELLFIRE anti-tank weapons. We must maintain adequate stocks of these munitions on the peninsula. Critically important are early development and fielding of munitions to defeat the hard and deeply buried targets prevalent throughout North Korea. Toward that end, United States Forces-Korea is sponsoring two promising Advanced Concept Technology Demonstrations—*thermobaric weapons* and *tactical missile system penetrator munitions*, which will carry the fight to the enemy wherever they seek to hide. I ask that you continue to support development and production of the advanced precision munitions required to support all contingency plans.

Counter-fire Capabilities

In the event of a conflict, the ability to rapidly destroy North Korean long-range artillery is essential to deterrence. An aggressive counter-fire battle achieves early destruction of one of North Korea's essential military capabilities, while minimizing casualties and protecting Seoul--

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the Republic of Korea's seat of government and hub of economic power. My vision for the counter-fire fight is two-fold: a *proactive capability* to destroy North Korean artillery systems before they fire; and an *overwhelming* response to any North Korean fires into the Republic of Korea. A fully resourced and integrated ground, sea, and air counter-fire capability is essential to achieving this decisive overmatch. Key components of the theater counter-fire system are: state-of-the art counter-battery radars, precision munitions, operational-level and strategic-level Unmanned Aerial Vehicles, and state-of-the art Intelligence, Surveillance, and Reconnaissance capabilities. Your support of these programs provides the capabilities needed to destroy the North Korean artillery at the time and place of our choosing while simultaneously protecting Seoul.

Missile Defense

North Korea's theater ballistic missiles can range deeply into the Republic of Korea, and deliver both conventional and chemical weapons on the civilian population and military targets. To defeat the North Korean missile threat, I need to increase the number of advanced PATRIOT missiles in the Republic of Korea. Increasing the density of these advanced air defense weapons on the peninsula ensures the needed protection for critical nodes.

Force Protection

Protecting the force remains essential to operational readiness – I will not compromise the safety of our service members and their families. We remain vigilant and have taken critical steps to improve our security posture – most notably increasing perimeter security forces, installation of closed circuit television monitors at key access points, fielding *Portal Shield* chemical and biological detection systems, and conducting intensive anti-terrorism and force protection training exercises.

Although we continue to assess the terrorist threat as low, we have implemented additional force protection measures and increased our physical security presence to ensure the

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safety of our people. In addition to our normal security forces, the Korean National Police are integrated into our installation security plans. Their sustained presence adds depth and effectiveness to the security of our key facilities. We have worked closely with the Republic of Korea Ministry of National Defense to increase military security cooperation during times of heightened force protection posture. These prudent measures ensure the Republic of Korea—United States Alliance is prepared to meet any terrorist threat to our installations.

Over the past year, we completed a detailed vulnerability assessment of our installations. This assessment identified over 130 major tasks required to comply with anti-terrorism and force protection requirements, many of which require changes to our infrastructure. Key requirements to improve force protection focus on establishing adequate standoff protection around our key facilities and installations and upgrading structural integrity on mission essential and vulnerable buildings. We have taken prudent measures to mitigate these shortfalls with the available resources. I encourage you to support all force protection related projects

Logistics and Sustainment

Adequate logistical sustainment is essential to our campaign plans. In Korea, our operations are sustained by a combination of pre-positioned equipment stocks and replenishment from the continental United States. In addition to the precision munitions requirements I've presented, I need your support to correct shortfalls in Army Pre-positioned Set-4 equipment, supplies, and maintenance facilities. These war reserve sustainment stocks are essential to execute operational plans. To ensure timely arrival of additional forces and sustainment supplies, I fully support initiatives to field robust strategic transportation systems like the High Speed Vessel and C-17. Equally important to the Korean Theater is the continued improvement of Joint Logistics Over The Shore equipment, which provides the flexibility to sustain the force against an enemy's anti-access strategies. Improved strategic mobility and

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robust pre-positioned equipment and supplies ensure sustainment of forward deployed forces and rapid reinforcement from the continental United States.

Command Priorities

As the commander of United Nations Command, Combined Forces Command, and United States Forces-Korea, my command priorities are: ***Ensure Peace and Stability on the Korean Peninsula, Readiness and Training, Strengthen the Republic of Korea-United States Alliance, Transformation of the Command, and Make Korea an assignment of choice.*** I want to elaborate on each of these, identify the key programs and the resources needed to make them a reality.

Ensure peace and stability on the Korean Peninsula

Maintaining the Armistice and deterring aggression are the most important missions I have as Commander, United Nations Command, Combined Forces Command, and United States Forces-Korea. Readiness to fight and win decisively is critical to these missions. We must also foster broader regional security cooperation to enhance solidarity among our allies and friends. It is essential that the two key elements that deter conflict on the peninsula, the United Nations Command member nations and the Republic of Korea-United States Alliance, continue cooperation to actively promote peace and stability. Our common purpose, steadfast resolve and advanced capabilities are essential to continued stability in Korea.

Readiness and Training

Readiness is my number one priority. Readiness is our ability to deter, and if required, defeat aggression on the Korean peninsula. The proximity of the threat, the complexity of combat in this theater, and high personnel turnover demand intensive, combined training at all levels. Our year-round combined exercise program, which leverages the results of Joint Forces Command experimentation, provides a great venue to maintain our warfighting proficiency and implement new operational concepts that support transformation.

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Combined Forces Command uses the combined exercise program to maintain readiness that is essential to defeat a limited warning attack by North Korea. Our robust annual training program consists of three major exercises: ULCHI-FOCUS LENS; RECEPTION, STAGING, ONWARD MOVEMENT AND INTEGRATION; and FOAL EAGLE. Collectively, these exercises train over 400,000 personnel and ensure that the Combined Forces Command Team of active and reserve component units remains proficient in all war fighting tasks. In Ulchi-Focus Lens 2002, our capstone training exercise, we improved our Common Operational Picture with interactive command and control displays. We used the Common Operational Picture at all command levels to achieve common situational awareness. We also implemented a new collaborative planning and execution system to coordinate theater-level operations. Ulchi-Focus Lens 2002 provided an opportunity to test Integrated Total Asset Visibility and automated language translators.

Our 2003 exercise program focuses on implementing effects based operations. To enhance the exercise program, we are continuing the development of the emerging Northeast Asia Regional Simulation Center to provide simulation support to joint, combined, and bi-lateral exercises. This effort is becoming the preferred venue to resolve difficult coalition integration and doctrinal issues. As this center moves toward its objective state in 2008, it has the potential to support multilateral exercises and simulation with other regional partners and allies. Our 2003 exercise program is essential to maintaining warfighting proficiency and implementing new doctrinal concepts that improve operational effectiveness.

Training Area Encroachment

In addition to simulation training, we must conduct regular live force-on-force training to practice combat tasks and maintain maneuver proficiency. Korea's increasing urbanization encroaches on training areas, restricting our ability to train in Korea. For example, armored and mechanized units cannot maneuver outside of small and discrete pockets of land located in a

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corridor North of Seoul. Artillery live fire training is limited to two small training areas, which prohibit effective integration of fire and maneuver techniques. We have the same problem with our Air-to-Ground ranges and must continually work to ensure we have the proper separation for adequate aircrew training while maintaining safety for the people who live near the ranges. The Land Partnership Plan provides the mechanism for us to improve our training areas and reduce the effects of encroachment. By 2008 we expect to have the land necessary to create a consolidated Korean Maneuver Training Center. I ask you to fully support this initiative.

Strengthen the Republic of Korea-United States Alliance

For 50 years the Republic of Korea-United States Alliance has been a standard by which all others are judged. To strengthen the Alliance, we need to improve public understanding of United States contributions. It is also essential that we review and re-affirm the military relationship of the Republic of Korea and United States Forces-Korea. These complementary efforts will ensure that the Alliance endures well into the future.

To improve the public understanding and appreciation of United Nations Command, Combined Forces Command, and United States Forces-Korea, I have implemented a "Good Neighbor" program that encourages closer interaction between our units and the people of the Republic of Korea. This program uses local unit outreach programs such as tutoring English language students in area schools, Arbor Day activities, and sponsoring charitable contributions for orphanages. One of our largest volunteer efforts occurred in the aftermath of Typhoon Rusa in September 2002. United States Forces-Korea volunteers assisted with clean-up operations and delivery of humanitarian assistance supplies. These efforts reduced suffering and sped recovery in the affected communities. Community outreach programs develop personal relationships that increase understanding and appreciation for United States Forces-Korea.

In addition to these one-on-one programs, I've established new channels of communication with South Korean community leaders, nongovernmental organizations, media

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representatives and concerned citizens. The Commander's Korea Advisory Council provides a venue for military and community leaders to help with our efforts to positively influence the Alliance. Unit commanders have established hot lines to receive and address issues of concern to the South Korean people. We are also educating local civic leaders about provisions of Status of Forces Agreement, improved safety programs, and Land Partnership Plan implementation. We are now developing a Korean language web site to provide command information to the South Korean public.

Because of our high annual personnel turnover, Eighth United States Army has instituted a cultural awareness program called "New Horizons Day." New Horizons Day teaches our service members and civilian employees about Korean culture, safety, risk mitigation, and command policies on appropriate off-duty behavior. New Horizons Day reinforces our efforts to improve understanding of the close ties that are the foundation of the Alliance.

We have begun the process of re-defining the Republic of Korea-United States Alliance. In December 2002, Secretary of Defense Rumsfeld and Minister of Defense Lee, Joon agreed to conduct a Future of the Alliance Policy Initiative to guide Alliance transformation. The Future of the Alliance Policy Initiative – jointly led by the United States Office of the Secretary of Defense and Republic of Korea's Ministry of National Defense – will focus on future roles, missions, functions, structure, and stationing in the Alliance; combined transformation and modernization; and the role for the Alliance after reconciliation. These policy discussions will ensure the Alliance has the right balance for the future.

The defense ministers also directed the Republic of Korea-United States Military Committee develop new operational concepts for combined operations. These operational concepts take advantage of new military technologies and lessons from other theaters to implement an effects-based warfighting structure. Using the lessons of *Millennium Challenge 02* we will implement the systems needed to make these concepts a reality. We are rapidly

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revising our contingency plans to achieve rapid decisive maneuver and simultaneous engagement throughout the battlespace. These initiatives increase our ability to defeat the North Korean threat and to transform the command.

Transformation of the Command

We must prepare today to shape the uncertain future in Northeast Asia. My transformation vision is the core of an enhanced Alliance and ensures our ability to provide security throughout the region. As we conduct the Future of the Alliance Policy Initiative with the United States Office of the Secretary of Defense and Republic of Korea's Ministry of National Defense, we will closely examine how to make the command structure more efficient, modernize our capabilities, and develop a future regionally capable combined force that can protect Korea and conduct regional security missions. This vision is achievable in the near to mid-term and we're on the right path to making it reality.

The Land Partnership Program, ratified by the Republic of Korea's National Assembly in November 2002, is a great foundation for transformation. LPP is a plan that returns 50% of United States Forces Korea installations to the Republic of Korea government and consolidates United States Forces Korea into 23 centralized installations. What's most important about Land Partnership Plan is its flexibility to accommodate future changes in force structure, command arrangements, and basing. In addition to the Land Partnership Program, we are conducting a combined Republic of Korea-United States Initial Master Plan to reduce United States presence in Seoul. This study will identify the needed facilities and a less intrusive location for our units currently stationed in Seoul.

Make Korea "The Assignment of Choice"

Today, Korea remains the least desirable assignment for all services, largely because of family separation, poor living and working conditions, and financial hardship. Improving housing

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conditions, re-capitalizing the infrastructure, and correcting the pay disparity will create an "irreversible momentum" in making Korea an assignment of choice.

To reduce family separation in Korea, I want to provide command-sponsored housing for at least 25 percent of our married military members and their families by 2010. We currently provide government owned and leased housing for less than 10 percent of our married service members, far less than the 70 percent in Europe and Japan. I plan to station the vast majority of our families south of the greater Seoul metropolitan area. To accomplish these goals, we must increase our housing and support leasing authorities to 15 years. This will make the programs attractive to South Korean construction companies and create a "build-to-lease" market in the Republic of Korea. With stable Military Construction funding levels, increased leasing authority, and Host Nation Funded Construction under the Land Partnership Program, we can afford this initiative to improve living and working conditions in the Republic of Korea.

With your support, we are continuing to improve accompanied housing with phased renovation of family housing units. In Fiscal Year 2004, we will start the second phase of a three-phased housing project that will add housing for 111 more families at Osan air base. We began these efforts two years ago and we continue to make progress on this important initiative.

Even with your great support to housing last year (\$185.3 million), over 40% of our unaccompanied service members live in inadequate quarters; many in buildings erected shortly after the end of the Korean War. Because of overcrowding and sub-standard facilities, many unaccompanied personnel must live in dense urban areas outside our installations, creating force protection concerns and requiring our service men and women to pay high out-of-pocket living expenses. We have a plan to provide unaccompanied enlisted service members with quality housing by 2008, as mandated by the Department of Defense. The Air Force Dormitory Master Plan and Army Barracks Upgrade and Buyout Plan allow us to use funds where they are most needed for renovation and new construction. The Fiscal Year 2004 Military Construction

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program requests three Army dormitory complexes and another Air Force dormitory that will significantly reduce housing deficiencies. Your continued commitment to stable Military Construction will have a major impact on correcting the housing shortage our service men and women endure in Korea.

Deteriorating work facilities impair readiness, reduce the efficiency of uniformed and civilian workers, and lower retention rates of highly qualified and otherwise motivated people. Our facilities and infrastructure are old—over one third of all buildings in the command are between 25 and 50 years old, and one third are classified as temporary buildings. We are working hard to maintain existing permanent facilities through an aggressive Sustainment, Restoration, and Maintenance program funded with Operations and Maintenance accounts.

Environmental stewardship is important to me personally and to the command. Our most immediate environmental concern is the command's aging fuel tanks. We are continuing to work through challenges with environmental protection and mitigation programs. Although there have been improvements in the last two years, more needs to be done with environmental project funding in 2004. Environmental requirements have been integrated into military construction and Sustainment, Restoration, and Maintenance funding. These resources will be wisely invested in our enduring installations under the Land Partnership Plan.

The final element of making Korea an assignment of choice lies in correcting the pay disparity between serving in Korea and equally harsh shorter tours in southwest Asia and the Balkans. Our service members are motivated by more than money; however, financial hardship and low morale are clearly linked. An Army Sergeant serving a six-month tour in Bosnia receives \$500 more per month than one of his or her peers serving a 12-month unaccompanied tour in Korea. Additionally, our men and women pay significant out of pocket costs to maintain a second household in Korea, where cost of living expenses exceed those in San Francisco and Frankfurt, without the benefit of a cost of living allowance. We are participating in a Department

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of Defense study to explore possible solutions such as separate rations, additional hardship duty pay, a cost of living allowance, and distributed incentive pay. We are also exploring other initiatives to reduce financial inequities, such as expanding the Overseas Tour Extension Incentive Plan, implementing Assignment Pay Initiative, and implementing partial Basic Allowance for Housing to compensate for sub standard housing, but we need your support to make these initiatives a reality for our service men and women.

In conclusion, I'd like to leave you with these thoughts:

Northeast Asia is a key region for the United States and our partners. We must maintain our presence in the region to demonstrate our commitment to ensure peace and security in the region. Congressional support is vital to our future in Korea and Northeast Asia. We thank you for all that you've done.

Events in Korea affect the entire world. North Korea's aggressive posture and continued pursuit of weapons of mass destruction pose serious danger to the peace, security, and prosperity of the peninsula and the region. It has substantial military capability and is selling high technology missiles to the highest bidder. North Korea continues to violate its agreements and extort aid from the international community. North Korea's renewed efforts to develop nuclear weapons pose a formidable threat to the world. North Korea is a threat to Northeast Asia and all peace-loving nations. It is a threat that requires a strong Republic of Korea Alliance, a robust forward United States military presence, and an active international domestic effort.

The Republic of Korea-United States Alliance has weathered challenges for over 50 years, and this partnership will continue to endure. Now is the time to transform this alliance to meet the changing conditions in the region. We need your support to implement our transformation vision.

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You can be justifiably proud of all the Soldiers, Sailors, Airmen, Marines, and civilians in Korea that serve the American people. Their daily dedication and performance reflect the trust and support that you've placed in them.

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**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 12, 2003

QUESTIONS SUBMITTED BY MR. HUNTER

The CHAIRMAN. Have you carefully reviewed missile threat posed by DPRK and China against locations in PACOM AOR? What is your answer to counter these threats? Solution should include sea-based capability as well as land-based and should clearly define requirements to meet growing missile threat in the region.

Admiral FARGO. Ballistic Missile Defense System (BMDS) remains one of PACOM's top readiness and warfighting priorities. BMDS must be layered to intercept missiles in all phases of flight (i.e. boost, midcourse, and terminal) against all known threats. Key countries posing a growing missile threat in the PACOM AOR are China and North Korea. Both have an assessed capability to launch Short, Medium, Intermediate and Intercontinental range Ballistic Missiles (SRBM/MRBM/IRBM/ICBMs) capable of striking targets within the PACOM AOR (including Hawaii) as well as the Continental US. PACOM has developed plans to counter these ballistic missiles employing existing and near term missile defense systems including PATRIOT PAC-3, Sea-based Midcourse Defense Segment, Theater High Altitude Air Defense (THAAD), and Airborne Laser. However, lack of a sea-based terminal defense capability significantly limits PACOM's flexibility against its most stressing near term SRBM/MRBM threat set. Accordingly, PACOM continues to underscore the need to develop and field this capability to ensure protection of forces and coastal areas critical to successful operations during early phases of a campaign. PACOM also remains a strong advocate for continued development of BMDS elements capable of defending the homeland and specifically those capabilities that will ensure protection of Hawaii. Moreover, PACOM is closely coordinating plans for employing these emerging systems with STRATCOM and NORTHCOM. Strong congressional interest in BMDS programs is vital and I applaud your continued support of BMD initiatives. There is still much work to be done to counter a growing missile threat and ensure the protection of our servicemen, friends and allies.

The CHAIRMAN. Approximately what percentage of People's Liberation Army short-range ballistic missiles that we believe are targeted against the Republic of China are guided by the Global Positioning System?

Admiral FARGO. [The information referred to is classified and retained in the committee files.]

The CHAIRMAN. What percentage of People's Liberation Army medium and long-range ballistic missiles are GPS-guided?

Admiral FARGO. [The information referred to is classified and retained in the committee files.]

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. The Combatant Commander of European Command is provided real-time situational awareness of his deploying forces and associated logistics through a version of commercially-available technology for vehicle tracking, Blue Force Tracking/Situational Awareness, and two-way communications. This technology assists US EUCOM manage, track, and account for logistics as units and vehicles move throughout the command. Would the use of this technology by US and Combined Forces Korea facilitate its ability to accomplish its mission, particularly in light of the current influx of logistics and associated vehicles into your theater? Please explain.

General LAPORTE. Yes. The use of Blue Force Tracking/Situational Awareness (BFT/SA) commercial technology would facilitate US Forces Korea's mission accomplishment.

The fielding of such systems to this theater would greatly increase information gathering and sharing capabilities. With greater access to information and technology, the command gains a tremendous advantage on tomorrow's battlefield.

Space based BFT/SA overcomes the challenges associated with the tyranny of time, distance, and compartmented terrain we experience in Korea. This technology would enable the command to synchronize the delivery of soldiers, equipment and sustaining supplies to the right place at the right time. Additionally, integrating this capability into the theater's Common Operating Picture (COP) would greatly

enhance the Commander's battlespace dominance and reduce incidents of fratricide. Commercially based systems provide the theater with reliable service without taxing national systems or competing for resources with other ongoing operations.

Ms. DAVIS OF CALIFORNIA. Wireless cellular communications are essential to the defense civilian and military personnel effectively carrying out their mission in South Korea. It provides the flexibility of immediate communications and the ability to move non-sensitive information rapidly where it is needed. Secure wireless communications, as developed by NSA and deployed elsewhere within the defense community, which would allow the rapid sharing of sensitive information is not being used by your command. This would seem to hamper efficient and timely communications in the field by requiring the use of secure landline phones and faxes. Would the use of secure wireless communications in South Korea improve the control of sensitive information and improve your ability to fulfill your operational requirements quickly and effectively? Please explain.

General LAPORTE. Combined Forces Command (CFC) and US Forces Korea (USFK) welcomes and proactively pursues the exploitation of emerging technologies in order to provide the Commander, components, coalition partners, staff sections and agencies a common operational picture that will enable situational dominance of the battlespace. The use of wireless technologies to facilitate information exchange between the various layers of command is a capability we welcome in Korea. Our first concern is the security of the information that may be disseminated across a wireless network; we must be assured that the information is protected and secure from potential compromise. Given our unique combined command architecture, obtaining accredited devices is often a challenge in Korea. We welcome the NSA's involvement in assisting us to procure accredited wireless devices and secure cellular technology for use in a foreign nation, capable of riding the host nations wireless architecture. Given the dynamic nature of the modern battlespace and the speed with which information can be passed via a wireless network, CFC and USFK stand to benefit tremendously from the use of wireless technologies to fulfill my operational requirements for information exchange.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. In your opinion, has the United Nations contributed to the United Nations operation in Korea?

General LAPORTE. Yes, the United Nations, through its member states, has made a meaningful contribution to United Nations operations in Korea. Since 1950, the members of the United Nations have provided continuous support to our Armistice maintenance operations in Korea.

Today, the United Nations Command (UNC) in Korea is a coalition of 15 countries committed to maintaining the Armistice Agreement until it is expressly superseded by a peaceful settlement at a political level between both sides. On a day-to-day basis, liaison officers from the 15 UNC member countries join with officers from the United States (US) and the Republic of Korea (ROK) to ensure compliance with the provisions of the Armistice Agreement. This entails conducting weekly inspections of UNC guard posts throughout the Demilitarized Zone. Whenever a violation of the Armistice Agreement is alleged, the UNC investigates the incident and reports their findings at a meeting between representatives of the North Korean People's Army (NKPA) and the UNC. A recent example will demonstrate this point.

On 29 June 2002, in an act of premeditated aggression, naval vessels from the Democratic People's Republic of Korea attacked and sunk a ROK Navy patrol boat. The UNC immediately initiated a Special Investigation regarding the incident. Officers from Australia and the Republic of Korea joined US officers in conducting the preliminary investigation.

Mr. MILLER. We currently have 37,000 troops on the Peninsula. Could we maintain our presence with fewer troops?

General LAPORTE. The size of the U.S. military presence in the Republic of Korea (ROK) is determined by the missions assigned to those forces and the geopolitical environment. The U.S. Department of Defense and Department of State have agreed to a series of talks to conduct the Future of the Alliance Policy Initiative with the Republic of Korea government to maintain deterrence and meet regional and global security responsibilities. Specifically these discussions will determine the future stationing, missions and structure of both ROK and US forces in Korea. The decisions made by both governments will determine the required troop strength in the Republic of Korea.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—COMBATANT COMMANDERS OF U.S. NORTHERN COMMAND AND U.S. STRATEGIC COMMAND

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, March 13, 2003.

The committee met, pursuant to call, at 8:04 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order. This morning, the committee continues hearings on the posture of our unified combatant commands. And it is a pleasure to welcome our witnesses this morning, General Ralph E. Eberhart, United States Air Force, Commander, U.S. Northern Command (NORTHCOM), and Admiral James L. Ellis, Jr., United States Navy, Commander, U.S. Strategic Command (STRATCOM). And gentlemen, thank you for being with us. We look forward to your testimony.

As we discussed yesterday, the 2002 Unified Command Plan made major changes to the missions and responsibilities of our unified commands. Nowhere are those changes more apparent than in the commands represented here today. With the creation of U.S. Northern Command last year, the United States has, for the first time in its history, a unified combatant commander whose sole responsibility is defense of the homeland.

Northern Command's primary focus is on military threats emanating from outside the United States. However, NORTHCOM is also charged with providing military support to civil authorities in conducting emergency preparedness to support the President and Secretary of Defense in the case of a designated national security emergency.

All these missions require NORTHCOM to interact on a daily basis with multiple government agencies. Chief among these is a new Department of Homeland Security, an organization that, like NORTHCOM, was only recently created. General Eberhart, the committee is very interested in hearing what progress has been made in standing up your command, and how your interaction and coordination with other government agencies is progressing as we move to improve homeland defense.

In addition to creating NORTHCOM, the Unified Command Plan made major changes to U.S. Strategic Command. Not only did

STRATCOM absorb all the missions of the now defunct U.S. Space Command, but STRATCOM was also assigned the additional missions of global strike, command, control communications, computers, intelligence, surveillance, and reconnaissance (C4ISR), integrated missile defense, and information operations. In addition, last year's nuclear posture review altered the concept of the traditional nuclear triad, changing the way we think about our nuclear deterrence.

Admiral Ellis, the committee looks forward to receiving the report on the progress STRATCOM is making in integrating all the various mission areas that are now your responsibility. And now, I would like to recognize, before we kick off here, the committee's Ranking Democrat, my partner, the gentleman from Missouri, Mr. Skelton, for any remarks he might want to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 991.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much, and thank you for setting up this hearing. I think it is very important. We welcome General Eberhart and Admiral Ellis, and we look forward to hearing testimony.

Gentlemen, it is very fitting that we ask you to testify together today. Two new commands, Northern Command, which stood up only last October, and Strategic Command—is very different from the old command, which bore the very same name. These changes were necessary and will help us respond better to the new threats and the challenges we face as a nation. Both these commands are still in the process of settling into new roles and responsibilities.

General Eberhart, we understand what a huge task the defense of this nation is. We know that you have already achieved great success in continuing mission Operation Noble Eagle. And as we know from our legislative efforts in creating the Department of Homeland Security, many organizations are involved in keeping the American people safe.

One of our concerns has been that we may have created too many organizations all at one time—the Department of Homeland Security, the Northern Command, the Civilian Homeland Defense Organization at the Pentagon all standing around at the same time. I hope you will tell us how these organizations are working together.

Admiral Ellis, Strategic Command has faced an equally daunting task. You had to figure out how to implement a nuclear posture review that redefined what strategic forces are and had to take on four new and critical missions. Now, Strategic Command has global responsibilities. You have had an important role in helping other commanders plan operations in the Global War on Terrorism.

I hope you will address what lessons you have learned so far and how we may help in planning your future operations. I hope you will explain how the Strategic Command is getting involved with the evolving questions of nuclear weapons policy and doctrine.

We thank you both, General and Admiral, for being with us. We look forward to hearing from you. Thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 995.]

The CHAIRMAN. I thank my colleague. And gentlemen, obviously, it is important that we get a fix on this new apparatus that we have created here. And without objection, your written statements will be taken into the record, and so you are free to summarize as you wish.

General Eberhart, the floor is yours, sir.

**STATEMENT OF GEN. RALPH E. EBERHART, USAF,
COMMANDER, U.S. NORTHERN COMMAND**

General EBERHART. Yes, sir. Thank you very much. It is an honor to be in front of this committee again, and thank you, once again, for your interest and your commitment to a strong national defense, and your support of those marvelous men and women who serve this great nation, and their families. It is also an honor for me to be here today representing the men and women of North American Aerospace Defense Command (NORAD) and NORTHCOM.

We will focus our comments, as you suggested, Mr. Chairman, on Northern Command. And NORAD dates back to 1958, and everybody is very familiar with NORAD. NORTHCOM is, first and foremost, a U.S. unified combatant command, a regional command, tracing its roots back-or at least combatant command is tracing their roots back to the National Security Act of 1947, when we established, essentially, the combatant command structure we know today: European Command, Pacific Command, and Southern Command.

At that time, we believed, and I think rightfully so, because of two friendly neighbors and two wide oceans, we did not need to establish a command in charge of this area of responsibility, where North America lies. We later decided that we did need NORAD to counter long range aviation and Soviet intercontinental ballistic missiles (ICBM), but we still did not establish a command that was responsible, a single command, for this area of responsibility (AOR).

As we know, during the 1990s, we debated this issue. We looked at an Americas Command, we looked at a Homeland Defense Command; we also looked at a Northern Command. It was very difficult to get our arms around that task, but in the aftermath of 9/11, it became clear to the Secretary of Defense and the President, when they had to go to several different commanders to craft our reaction to that attack, that we were violating the principle of centralized command, decentralized execution, and that we had several different commanders in charge of the defense of our homeland.

And thus, they decided to establish Northern Command, which, as you said, was established in 1 October of this past year for initial operational capability. And we will achieve full operational capability (FOC) no later than 1 October of this year.

So as we are on this road to full operational capability, what have we accomplished and what is there left to accomplish? First and foremost, we go back to that basic principle, that we are a U.S.

unified combatant command. We have all the responsibilities and authorities of other combatant commanders when it comes to national defense, specifically homeland defense, protecting the interests of the United States and our friends and allies in this area of responsibility.

But what makes this command different from the other combatant commands is the fact that our homeland exists in our area of responsibility. So therefore, as you pointed out, Mr. Chairman, we have responsibilities where it comes to support the civil authorities in the area of homeland security. In the former, homeland defense, protecting against threats that emanate from outside the United States, we would clearly have the lead.

But in the latter, for homeland security activities, more often than not, we would be in support of another lead federal agency, be it the Department of Justice or, now, the new Department of Homeland Security.

And so, as we proceed on this road to full operational capability, we have been focusing on the latter mission, the mission support to homeland security-type missions, support to other lead federal agencies. We are able to do that because we do not see a peer competitor right now in terms of an attack over the horizon. We keep our eye on that. We have developed plans. We train for that. But we think, sadly, we are more likely to face an attack like we did on 9/11, whether it is from the air, land, or sea, from a terrorist or some sort of a cypcat, if you will.

So we have been exercising with these other lead federal agencies. On occasion, there will be as many as 50 different government agencies involved in our tabletop exercises and our war games, if you will. We did one of those right prior to initial operational capability to make sure that we were prepared to stand up to command.

We have done well of late as we prepare to support possible war in Iraq. And we will this summer, if you will, as a graduation exercise, as we move to full operational capability. What I have learned from those exercises is, in fact, we were farther along than I had thought in terms of cooperation between our first responders, our state militia, government agencies, and the military.

And I thank Joint Forces Command for their efforts over the last several years, when they had the lead in this area, for advancing the ball as far as it has been advanced. I often hear, "What is the difference now between the fact that you and NORTHCOM have this mission as when Joint Forces Command had this mission?"

My answer is that now you have a four-star commander, you have a command that, day-in and day-out, focuses on nothing but homeland defense and homeland security, whether it is an external threat, whether it is a pending natural disaster from a hurricane or a flood, or whether it is man-made, if you will, a terrorist attack. Our head is in that game all day, every day, and we try to lead on those types of activities.

If you look at our mission statement, we talk about deterring, preventing, and defeating threats. And to me, that will be the key to our success as a nation. We have to be good at clean up, we have to work that hard, but my view is an offense is much better than a defense here. And while we have to be good at consequence man-

agement, we have to be better at crisis management, and we have to work the front-end of this problem.

And the key to working the front end of that problem is actionable intelligence and information, and fusion of intelligence and information, and not just the classical intelligence that we get from the intelligence community, albeit very important. But we need intelligence and information from other sources—law enforcement. A lot of this is open intelligence and information that we can get off the Internet and from other sources.

And the task, the challenge is to fuse this information. As the Secretary of Defense says, "Connect the dots," so we have something that is actionable, so again, we can go out and deter, prevent, or defeat an attack against the United States, whether it emanates externally or internally. And again, the difference between the two is the former, we would have the lead, and in the latter, we would be in support of another lead federal agency.

So as we proceed down this road to FOC and beyond—and I would offer to you that we probably will never reach full operational capability because this mission will continue to evolve over time—we have to continue to get better. We have to stay ahead of the bad guy, if you will. And to me, we should never be satisfied with full operational capability, because that would be a moving target.

What I can say, Mr. Chairman, is that we are much better prepared to deal with these threats than we were a year ago, six months ago, three months ago. But we cannot be satisfied where we are. We need to proceed ahead as quickly as we possibly can. We need to hone this technology, we need to get the right people involved, and we need to cooperate all the way from those first-responders to the forces that we command in Northern Command to work this problem.

As the Secretary of Defense says, "This is important business." There is no more important mission than protecting the American people where they live and work. We thank you for your support.

[The prepared statement of General Eberhart can be found in the Appendix on page 1017.]

The CHAIRMAN. Thank you, General.
Admiral.

STATEMENT OF ADM. JAMES O. ELLIS, JR., USN, COMMANDER, U.S. STRATEGIC COMMAND

Admiral ELLIS. Thank you, Mr. Chairman, Representative Skelton, and distinguished members of the committee. It is an honor for me also to appear before you today, representing the outstanding members of the United States Strategic Command, men, women, active reserve, uniform and civilian alike.

It is also a pleasure to share the panel with General Eberhart. Over the last several months, we have worked together to stand up our two new unified commands. As you well know and you mentioned in your opening remarks, there is now a new United States Strategic Command. It is a reflection of the clear guidance that the President gave the Department to, "challenge the status quo and envision a new architecture of American defense".

It is also a reflection of the recommendations of the Space Commission, the Quadrennial Defense Review, and the Nuclear Posture Review. And finally, it is a reflection, as you have already noted, of the new international security environment that we all must work to effectively address together.

The new United States Strategic Command was created, first and foremost, to provide responsive, integrated, and synchronized combat capability and support across geographic and AOR boundaries.

I am convinced that the alignment of responsibility for our nation's on-orbit capabilities, under the same unified command that now has global responsibilities in four previously unassigned mission areas of missile defense, global strike, Department of Defense (DOD) information operations, and communications and intelligence, has created new opportunities to better shape our future.

I am committed to working with a strong and growing team of partners to address each one of those areas. We are crafting not only a vision, but a clear and detailed course of action in each of those new mission areas. During the extraordinary five and a half months since the new United States Strategic Command was established, we supported the regional combatant commanders by deploying intelligence, planning, space, and information operations experts to their theaters by optimizing communications, bandwidth, and Global Positioning System (GPS) performance for combat operations.

And we continue to provide 24 hours a day, seven day a week missile warning to our forces in the field and to General Eberhart for his area of responsibility, our homeland. We also remain committed to the nation's deterrent capability, resident in our stockpile and delivery systems, and to retaining and advancing the United States' position as the preeminent space faring nation.

As I hope you can sense, this is a very exciting time for the professionals at United States Strategic Command. We have tremendous opportunities ahead of us and are engaged in charting the course for meeting our future warfighting needs. To pursue these needs, we will advocate for advanced conventional weapon capabilities, support the sustainment and modernization of our nuclear deterrent force, sustain the tremendous capability that our on-orbit assets and their support systems bring to the nation, and finally, work to develop and maintain a cadre of highly trained space, strategic, and information operations professionals.

As we meet the challenges in these areas, we will then be able to more effectively address war-fighting needs such as robust communication architectures. Responsive and affordable access to space is a key element of our ability to operate to, from, in and through that critical region. We will address the warfighting needs of persistent intelligence collection, and we will be chartered to operationalize and fuse a multi-layered ballistic missile defense capability into a globally operational system, and finally, create a viable information operations capability for all of our warfighters.

It is an honor to represent the professional and talented men and women of United States Strategic Commands and our partners in the services, national agencies components, and this committee,

who are putting their skills to work today to create the most effective operational capabilities for tomorrow.

Thank you and I welcome your questions.

[The prepared statement of Admiral Ellis can be found in the Appendix on page 999.]

The CHAIRMAN. Thank you, Admiral. And General, thank you for being with us this morning. Admiral, let me start with you, because you just completed your statement, and you have really laid out a vast responsibility. Tell us a little bit about your responsibilities as the command that undertakes to defend the U.S. against missile attacks, and also to at least provide the warning, although I take it the theater commanders and the combatant commanders in theater are the ones who would operate, for example, theater missile defenses.

You are providing, as I understand it, the warning information to these commanders. So explain to us, a little bit, your role in the event of a missile attack on the United States, understanding that we do not yet have a missile defense in place. But we are going to have a few silos in soon, and you will actually have a few arrows in your quiver. So tell us how you are going to run that operation, and at the same time, you might tell us how you would integrate with the warfighters in theater, in the event of a missile attack on troops in theater, which we have had in the first Gulf War.

Admiral ELLIS. Yes, sir. I would be delighted, Mr. Chairman. That is certainly one of our primary focus areas. As you know, we are on a very aggressive timeline to deliver, in 19 months, that initial capability in support of the Missile Defense Agency (MDA), which, as you know, has development and acquisition responsibilities.

Our role, in a nutshell, Mr. Chairman, is to operationalize that concept. What has now been a developmental capability, and well and aggressively pursued by General Kadish and his team, now needs to be transferred and translated into the operational realm. Who is going to oversee it? How does the battle management and command and control system work?

What kind of command architecture is envisioned as we provide this capability, as you have rightly pointed out, not just to General Eberhart, but to all of our regional combatant commanders for their statutorily mandated defense of their area of responsibility? We see our role, in support of that effort, to cross the seams that might exist, or to eliminate seams that might exist from one region to another, to ensure there are common concepts of operations, common command and control systems, and that we are able to capitalize on the layered approach, which, as you know, characterizes the newly defined global missile defense, which involves both regional capabilities and the ground-based mid-course element that you described that will be operational in the fall of next year.

So we are the integrator. We are the operationalizing element of that and provide those capabilities, then, to the regional combatant commanders for their execution.

The CHAIRMAN. So what you are telling us is that—you have asked more questions than you have answered here. That is a great style. Let's say we go a couple years and you have a couple arrows in the quiver; you have got a few missiles in Alaska and

you have got a few at Vandenberg, and you have a launch on the United States, a couple of rogue missiles.

Admiral ELLIS. Yes, sir.

The CHAIRMAN. Who is running the operation here?

Admiral ELLIS. That is exactly the point I am trying to reach. And as you pointed out, and I neglected to mention in my earlier answer, we, of course, oversee the health and well-being of the on-orbit resources and provide that threat warning so that NORAD can do the attack assessment and provide that to the regional combatant commanders.

But in that hypothetical scenario that you described, sir, in the future, as the systems and capabilities deliver, we need to draw on everything from the Patriot Advanced Capability-3 (PAC-3) batteries to airborne laser capabilities, when they mature, to the Aegis capabilities that are resident in theater.

We need to have the command and control systems that allow us to, very quickly, using the sensors, determine what is a regional threat, to support the regional combatant commander as he deals with that, and also to very quickly identify what becomes a regional threat to the homeland, which is General Eberhart's responsibility for executing, the defense of that.

We provide that capability. We are not envisioned as the trigger-puller. We are the supporting element, the architecture that ensures commonality. Because there really, given the time criticality of this mission, needs to be a common net. There needs to be a common level of understanding. There need to be agreed upon rules of engagement and advance.

The response time for this type of threat is measured in minutes and seconds. It is not measured in hours or days.

The CHAIRMAN. Okay. Who is going to be the trigger-puller here? You are going to ensure that operational capability is reached with this small array of ICBM killers that we will have, at some point? You will ensure that we have those operationally effective?

Admiral ELLIS. Yes, sir.

The CHAIRMAN. Go back to the attack. We have an attack. How does General Eberhart figure in? Where do you leave off as the operation guarantor? And where does the trigger-puller come in and where is his shot?

Admiral ELLIS. Yes, sir. In that sense—and I will let Ed answer in a moment, sir—but we provide the capabilities to the regional combatant commanders to enable them to execute their missions of defense—

The CHAIRMAN. Well, does that mean you are going to be operating the defenses at Alaska and at Vandenberg?

Admiral ELLIS. No, sir. That means the components, the Army, as you know, is the lead in the missile defense elements in Fort Greeley, Alaska. There are other service elements, as I described, that will contribute as their contributions mature. My role is to integrate that together and provide that capability to the warfighting component commander.

The CHAIRMAN. Okay. Let's say you go back, you have got a rogue missile launch. You are going to be providing warning.

Admiral ELLIS. We provide the initial warning. We provide the assessment of where that missile is destined, what area it is

threatening. The regional combatant commander will be up on his network, and if it is a regional threat—

The CHAIRMAN. Let's say it is a U.S. threat. Let's say you have got a couple sites in the U.S. and you have got a rogue missile coming in.

Admiral ELLIS. Then it defaults to General Eberhart and his team in Cheyenne Mountain to address. And I would let Ed answer the specifics. As I know, we are working in tandem—the concepts of operation, on a global scale, to ensure that they are common with those of the regional combatant commanders.

The CHAIRMAN. Okay, General Eberhart.

General EBERHART. Sir, the way I like to think about it is that Strategic Command will build the overall architecture, the global view, the holistic view. They will run the sensors. They will detect an attack. They will characterize the attack, and they will say to the Northern Commander, the Pacific Commander, the European Commander, "It is coming your way, and this is what it looks like."

And then, we will be in a unique situation in North America, in Northern Command, because we will have these interceptors, obviously, a limited number of them, but we will have these interceptors. And then, based on the character of the attack, based on the enemy order of battle, how many missiles we know that they have that they could attack us with, then we will provide logic in terms of rules of engagement, of how we will use our interceptors to intercept those missiles.

But that command and control will be done with a coordination with Strategic Command, NORAD, but executed by Northern Command.

The CHAIRMAN. Okay. So you would today, if we had that capability today, and if we had a rogue missile coming at the U.S. today, you would envision you are the guy who, in the end, is going to give the interceptor launch command. Is that right?

General EBERHART. Yes, sir.

The CHAIRMAN. Okay, let me ask just one other question, and then I know we have got lots of folks with lots of great questions here. Because the way your folks work your independent shops and the way you interact, I think, is a key issue for this committee.

But General Eberhart, obviously, chem/bio has got to be a very important area for you. We have got lots of independent pieces or shops in the DOD, and now we will have in the domestic complex, that are putting together systems for the detection of chemical and biological agents, being able to know what is in the air, what is in the water, and come up with, to the civilian authorities, with the right stuff to treat for this stuff before your hospitals get clogged.

It is going to be a real key to homeland defense. It has been tough, I think, for the country to get its arms around this, all these independent contractors, and to really assess, accurately, all the various agencies and the product of all the various agencies, DOD and domestic, and the domestic contractors, civilian contractors, who are putting together, now, lots of stuff for the detection of chemical and biological agents.

I was at a hearing the other day, and a guy walked up with what looked like a little pocket calculator. And he said, "Two seconds. Two seconds and I can tell if you have got anthrax in the air." I

said, "Well, you are working with DOD?" and he said, "I cannot get in the front door."

And, of course, you know, you always have anecdotal stories of that type of thing, whether you are talking about the new challenges or old ones. But it is representative of a pretty creative industrial base out there, and a lot of creative folks in government that are really working this idea of being able to detect bad stuff, whether it is chemical or biological.

And I think if there is going to be any genius in this new apparatus that we put together, both the re-jiggering of the commands and this homeland security apparatus, it is going to be if we can harness all this great, presently diffused, industrial capability and creative capability in our high tech industry and get it focused on being able to handle some of these things and get the absolute best stuff out there, and not only get it developed, but get it produced, which, by god, has been a problem of late with the 10, and 15, and 20-year systems. By the time they get through the bureaucracy, they are old hat.

But getting that stuff produced early and getting it deployed in such a way that if some bad stuff gets in the air or water in this country, we are going to be able to handle it and help the communities handle it. And I know that is a big, broad question. But have you looked, General Eberhart, at how you are going to get your arms around this big issue, on chem/biological detection and getting the right stuff out there to handle the problem?

General EBERHART. First of all, Mr. Chairman, I agree wholeheartedly that the way to work this problem is with technology and the initiative and innovativeness of our industry. And that never ceases to amaze me. And I, like you, have people knocking on the door all the time with solutions. The problem is, it is very difficult to search your way through many of those proposals and find ground truth, not that I do not believe them, but what the application really is.

So what we have done is a couple things. Based on this strong belief in technology and how it will help us solve these problems, we have entered into a strategic partnership with DTRA, Defense Threat Reduction Agency, and with the Sandia labs there in New Mexico, to help us sort through these things in terms of what they really translate to, what they promise—can they deliver? What seems to make sense?

And we are also interested, as you implied, we are interested in interoperability and the ability to train and maintain these things. So it is important to us that, hopefully, we have a system, a technology that we can apply all the way from the local responders, who are going to be there first, to the military, who will be there for continuity, and if the problem is too big, for the local responders and the state militias to use.

So this is equipment that, to me, will be very important for the fire departments, the police departments, the civil support teams (CST)—

The CHAIRMAN. Well, listen, I agree it is going to be important to everybody when we get it. But my question to you is, do you think you are building a system that will allow you to access, basically, the creative product of this country? Because we have got

this stuff percolating all over the place, and it seems like no one agency has been able to get their arms around it and figure out how we get the very best stuff into production quickly and get it fielded.

Do you think you have got the right combination with Sandia working this problem for you?

General EBERHART. Yes, sir. I believe we are headed down the right road. Obviously, we have to make sure that we are plugged in, and we are working to plug in now, at the homeland security agency, as it stands up, because we have to do this in parallel and in lockstep.

The CHAIRMAN. Okay, thank you.

Mr. Skelton.

Mr. SKELTON. I would like to ask each one of you one question. General, give us an example of what your command would do in two instances; one where you have somewhat credible intelligence that something is going to happen bad on the East Coast, and the second instance, where something bad happened on the West Coast. What do you do?

Admiral, let me ask you. How would you—other than in missile defense, how would you cooperate or coordinate with the general in your efforts, in these examples he will give us now?

General EBERHART. Sir, we will start with something that is going to happen, and it is going to happen on the East Coast. When we receive our intelligence briefs, on a daily basis, those intelligence briefs are along the lines that I implied in my openings remarks. The Federal Bureau of Investigation (FBI) is in the room; it is not the classical intelligence brief that I grew up with in the military.

So when we hear about a threat, the first thing we ask is, "Do we think this threat is credible? What is the credibility? Should we act on this threat?" The second thing we ask is, "Who else knows? Do the right people know? If it is going to happen on the East Coast, do the FBI regions on the East Coast all know? Have they shared this with the local law enforcement? Do our commanders in that region know?" So the second question is, "Who knows?"

The third question is, "What do we believe are the capabilities of local law enforcement and federal law enforcement organizations to deal with this threat? What might the need be from the military? What do we have that we can provide?" So we are working our way down this checklist, per se.

The other thing we ask is, "Who will be in charge?" So usually, for crisis management, hopefully, the front-end of a problem, it will be the Department of Justice, the FBI. So they will be the lead federal agency. So what might we be asked to provide? What can we provide, much like we did in the sniper incident here in the D.C. area?

The next question we ask is, "What command and control structure will we use to command and control the military forces that we would provide in support of a lead federal agency?" And obviously, that depends on the size of the task, the size of the problem, the size of the mission, if you will.

We could use existing joint task force (JTF) commanders, or we can stand up for them. On the East Coast, we would most normally

use the First Army Commander, Lieutenant General Joe Lynch, who I know you know, would be our commander for that operation, if it was predominantly a land operation.

But obviously, if it is out in the sea, then we would look at a Coast Guard Command or a Naval Command. And the Coast Guard Command could be under title 14 or title 10, or we could use NAVNORTH, who is our good friend. Admiral Bob Nadder could be our commander for that operation.

Now, if we turn to the West Coast and something bad has happened and we are in the reaction mode, we essentially go down through the same checklist: What has happened, what do we know, who else needs to know, who is going to be in charge—it will probably be the Federal Emergency Management Agency (FEMA) at this point—what do we need to establish in terms of things we can provide from the active duty military? What might they need? And how are we going to command and control those forces?

And essentially, that is the checklist. Those are the war games, those are the scenarios that we have been doing since last summer, with this myriad of government agencies, to talk our way through, all the way from chem/bio, to anthrax, to terrorist kinetic attacks, et cetera, et cetera. But that is essentially how that process would unfold, sir.

Mr. SKELTON. Thank you.

Admiral, how would you coordinate with him?

Admiral ELLIS. Thank you, sir. As you inferred from my earlier statements—and understand very well, there are resources or capabilities that are resident in each of the combatant commanders. Those resources that we oversee are particularly specialized in the areas of intelligences, surveillance, and reconnaissance, ISR, sensor assets, and communication capabilities, satellite bandwidth and the like.

In a crisis or a circumstance where General Eberhart has taken the lead to respond domestically, we would provide all of the resources that are available to us, including command and control elements such as aircraft that have historically been created for more classic strategic missions that could be converted to support his efforts on the domestic side in responding to this contingency.

We are not just talking about exercises, because Ed and I well remember a few weeks ago one Saturday morning, a tragic Saturday morning of the Columbia shuttle mishap, when we literally were on the same secure phone line together, coordinating exactly that kind of support.

As we went through a domestic events conference, as it is called, as Ed was setting up the task force organization, we were beginning to flow forces and resources that were under our purview as director of DOD support command space flight operations, to support his efforts in the immediate hours after that tragic event. So we have got real world expertise, admittedly, on a scale that we had not seen before and with an on-orbit capability that brought us together operationally, and I was very pleased with the support we were able to provide him.

Our principal mission, in many areas, is support to the regional combatant commanders, using the global systems and capabilities we have. And that is what we provided to Ed on that day.

Mr. SKELTON. Thank you, gentlemen.

The CHAIRMAN. I thank the gentleman. The Chairman of the Subcommittee on Unconventional Warfare and Terrorism, Mr. Saxton.

Mr. SAXTON. Thank you very much, Mr. Chairman. Gentlemen, it was a pleasure to meet with you each before today, and I enjoyed those conversations. Yesterday, General Eberhart, after you and I had a chance to chat, just by coincidence, I was paid a visit by Assistant Secretary of Defense Paul McHale, with whom I know you are both going to be working closely on these matters.

And I just think at the conclusion of the day yesterday, after I had met with you three, I thought, what a great team, and looked forward to being a part of it, as well. General Eberhart, one of the things that occurred to me is that your job is fairly complex, to say the least.

But with all the facets of providing for homeland defense, to me, at this point, they fit into two categories. The category of things that you can do in response and in close-in defense against events occurring and, on the other hand, in coordination with Admiral Ellis and others, the ability to reach out and stop something from happening before it becomes an actual domestic threat. I mean, it is going to be a threat, but it is going to be an offshore threat.

And one of the things that I learned yesterday in talking with Paul McHale—and I had not focused on this—the only reason I did not know, I suppose, is that your ability to reach out directly in your command, you reach out quite a ways to the east and quite a ways to the west. So it is not just continental United States, it is a good bit of the Atlantic Ocean and a good bit of the Pacific Ocean. Is that correct?

General EBERHART. Yes, sir. It is essentially 500 miles off the coast.

Mr. SAXTON. Five hundred miles off the coast. And Paul told me yesterday that because of the configuration of the East Coast, in some places, it is as much as 1,000 or 1,500 miles off the coast. And one of the concepts that the chairman and I have talked about with regard to homeland defense is that it would be neat to have a concept where we would stop the bad guys, if you will, as far offshore as possible.

And I assume that you would agree with that. It is much better to beat the threat somewhere else than New York Harbor.

General EBERHART. Yes, sir. I mean, we talk in, again, our war games and scenarios we run. I mean, we want to capture the terrorists in Afghanistan or Iraq and take that terrorist camp down wherever it is, and not let those bees get away from the hive, if you will, and show up in our area of responsibility, show up in our homeland.

And I would much rather stop that ship that would have cruise missiles on it or terrorists on it in a harbor someplace or as it sets sail for the United States. And in my view, it is a classic supporting relationship. You could say that we are the supported command, and Pacific Command, or European Command, or Central Command, or Strategic Command would be the supporting command to take out that threat to our homeland wherever it exists, not wait for it to come to that 500 mile border, if you will.

Mr. SAXTON. That is a good news thing, but does not that create—this is just an informational thing, because we need to know, in terms of supporting policy—does that change the role? Does that give the Navy an additional responsibility?

General EBERHART. Sir, I think it is a responsibility that they already have. I mean, the Navy is out there protecting the lanes of communication, the sea-lanes of communication, and protecting our interests around the world. And, in my view, all it does is continue to focus that effort to make sure that we have the intelligence to know that this constitutes a threat.

And ideally, we would like to work with other nations, whoever is the flag of that ship to take that ship down. But in my view, the Navy has this responsibility, has this authority today. And we are just using the naval component of Northern Command or the naval component of Pacific Command, European Command, you name the command, to protect our interests worldwide.

Mr. SAXTON. You spoke of the importance of intelligence, and we certainly agree with that. Let's say that in your morning brief, you are presented with a situation that says that four days ago, a ship set sail from some port in the Middle East with a containerized cargo, and all of the sudden, intelligence indicates that there is a suspected threat, a nuclear device, let's say, aboard that ship in a container. What do you do?

General EBERHART. Sir, what we would start doing at that time is, first thing, we would try to check the credibility of the threat, of the intelligence. Second, we work with the combatant commander whose region that threat is in right now, the ships in the Pacific, the ships in Europe, to see what their view is. And then we work through—in that case, would work through law enforcement organizations to go back to the port where it departed and see what additional information we can get. And then, you can go down another, several different, then, logical trails, where you can decide whether or not you go to the nation that flagged that ship and see what action they are prepared to take.

And then, you continue to run those different possibilities down, and if you are convinced that, in fact, there is this radioactive device that is on its way to the United States of America, then a decision can be taken in accordance with international law by the president, the Secretary of Defense, to either board that ship wherever we can find it, or as it approaches our waters, board it then. That would be a decision that would be taken by the President.

But those are the kinds of things we think our way through, and again, we are crazy, in my view, to let that ship show up at the port. I mean, we need to verify, at some point, by boarding or inspecting that ship. And whether that is done by the Navy, or the Coast Guard, or by a friend of ours, an ally of ours, those are all the actions that we ought to look at in the example that you pose.

Mr. SAXTON. Thank you. Admiral—I know my time is up—let me just ask you a real quick question. What if the intelligence said that that ship had a Scud missile on it and that it was somebody is intent to launch that Scud missile at New York, 400 miles off-shore?

Admiral ELLIS. The support that I described earlier could be much more narrowly focused, via the sensor surveillance, the de-

fensive systems that would, depending on the timeline in which the scenario you describe unfolds, that would be in place, could be aligned to provide that multi-layered level of defense in anticipation of the actions that General Eberhart described, sir.

Mr. SAXTON. Obviously, you would both be working together. General Eberhart and others would be running the trail, if you will, back to the port from which it sailed, to the government, with our allies. And at the same time, I suspect you would be using whatever technology we have from naval and land-based missile defense that might be, as the chairman puts it, "arrows in your quiver" at that time, to prepare to defend in the event of the actual launch of the Scud missile.

Admiral ELLIS. Exactly, sir. And using on-orbit resources, as well, to the extent that they are able to focus on this, while we proactively move to negate that threat before it ever launches. That is the best way to deal with it, not to wait until those arrows get fired, but to deal with the source of them.

Mr. SAXTON. Thank you.

General EBERHART. And, of course, the big difference, Mr. Saxton, which you well realize, is, obviously, the standoff distance is different. So we can let that other ship come a little bit closer and not be a threat. But based on the range of the Scud, that is the radius in which we cannot let it come inside, in my view.

Mr. SAXTON. Thank you.

The CHAIRMAN. Thank you, gentlemen. I am going to go to Mr. Taylor, but I just had one follow up question on Mr. Saxton's question, and that is, it would seem we have several species of missile threats that we need to look at. One, obviously, is the big fast movers, a rogue missile coming in, ICBM, but also this Scud threat from the tramp freighter, if you will, that gets close to our shoreline.

That would seem to logically move us to develop some theater missile capability, and perhaps give an emphasis on the seaborne antin missile capability, which has tested very well in recent months. Because if we had a threat, we could move those platforms, move Aegis or Aegis type ships along the coastline, thereby picketing the coastline if you could.

Is there some thought that is going along those lines?

Admiral ELLIS. Yes, sir, there certainly is. The maritime element is an essential part of the Missile Defense Agency's movement towards that total system. They have already, as you may be aware—and I am sure you are, Mr. Chairman—the Navy has transferred an Aegis cruiser under the control of Missile Defense Agency for precisely that kind of developmental effort, in an effort to accelerate that program within the next 20 months.

The CHAIRMAN. And one other idea along that line that I know has been pursued by MDA—and I know we have got the Chairman of the Strategic Subcommittee here with us, Mr. Everett—is that if you are going to use this picket, or defend American shoreline, approach with seaborne assets, it might make sense to develop a platform that is maybe less expensive and less complete than, say, an Aegis ship—for example, a flatbed ship, if you will, with a missile defense system bolted on it, either one of our seaborne-types

that we are testing out, or maybe a Triad, maybe a Patriot system, maybe get a little more bang for the buck.

But are you folks discussing that with MDA?

Admiral ELLIS. I think MDA is examining the full range of concepts, Mr. Chairman. The sensor piece is very important, as you know, represented in Aegis or Aegis-like capabilities, as are the positioning and geometry of the interceptors critical to the success, depending on scenario. And the evolutionary approach that General Kadish has taken is going to consider all options.

The CHAIRMAN. Okay, thank you.

The gentleman from Mississippi, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman. I want to thank both of you gentlemen for what you do for our country and for being here this morning.

There was a Library of Congress report in September of 1999 that said two very alarming things. It mentioned that the White House, Central Intelligence Agency (CIA) headquarters, the Pentagon, and the Capitol were all prime targets for an air attack. In that same report, it mentioned that the son of the blind cleric who was convicted in the bombing of the World Trade Center had talked about hijacking a plane and holding the passengers for ransom in order to free the father.

That guy, in Secretary Rumsfeld's words, did not exactly "connect the dots." But two years later, almost to the date of the publication of that manual, we saw planes hijacked and used as weapons. And what is particularly disturbing, if you think about it, is that 40 minutes after the second plane hit, and people knew it was not an accident for the first, the Pentagon was attacked.

Now, less than two years later, we have combat air patrols, you have radar coverage over the Capitol, we have, I know, about 100 Mississippi National Guardsmen across the river in a monitoring situation. So it would not happen again today. But it did happen.

With all the things we are talking about—and I do not disagree with any of the scenarios any of my colleagues laid out—I still think the easiest way to harm a large number of Americans is to put a chemical, biological, nuclear device in one of the 13 million, 20-foot cargo equivalents that come through this country every year. Our nation, by admission, inspects 1 percent of them.

And General, with the limited maritime background I have, on a ship that has 5,000 cargo unit containers, it does not even have a crane on board. They are stacked so closely, you cannot open the doors; you cannot get to the ones way down in the stack. And so, it is a vulnerability.

I say all this also knowing that as I cross the 14th Street Bridge, I look out at some 80, 90, 100-foot yachts, any one of which could very easily have brought a nuclear device up the Potomac. What is troubling is that for all the things you say trying to reassure the American public, I see the vulnerability similar to what that congressional report did two years ago, is that you are not coordinated with the Coast Guard, that there really is not anybody checking those yachts or those tugboats coming up the Potomac for a nuclear device.

And my friends laid out some scenarios that certainly could happen. It takes some technology to put a Scud missile launcher in a

freighter and launch it from offshore. It would be very easy to stick it in the engine of a large boat or a tugboat. And that is not something that could happen a year from now, it is something that could happen five minutes from now.

What is your command going to do to address that missing link, or do we wait for something horrible like that to happen and then say, "Maybe we need some small boat assets. Maybe we ought to start looking at vessels that come into our shores."

One of my colleagues from Florida mentioned a Cuban patrol boat that just steamed into Miami recently, with four people in Cuban uniforms on board, and they were at the dock before anybody knew what happened. Do we have to get burned before you address that missing link is my question?

General EBERHART. Sir, I hope to answer that question as not "Yes, that we have to get burned." As you know, and as we have discussed, I spent a lot of time with the Coast Guard over the last six, seven months, most recently with the West Coast Commander, Vice Admiral Terry Cross. I was on the phone yesterday with Jim Hall, the Atlantic Commander.

I am, in fact, optimistic about the types of things that the Coast Guard is pursuing now, the advancements that the Coast Guard has made since 9/11, their increased budget that allows them to start addressing some of the things that cause you concern, cause me concern, and I know cause the American people concern.

Back to the chairman's and my discussion about technology, we both know that that is the way we are going to have to work this problem over time. We are never going to have the ability to open those other 99 percent of the containers that we cannot open now, but we are going to have to have sensors on board. In my view, we are going to have to harness hyper-spectral and other things, over time, from air and from space, that allows us to better understand what is in the hulls of these ships.

We are going to have to use processes—and you and I discussed this. These are not foolproof, but it helps us sort, and that is the 96 R Novus, et cetera. We also have to use, in my view, a neighborhood watch program—and that is my term, no one else's—but where people have to be very cognizant and attentive of what goes on in that port, in that marina, and not hesitate to report things that do not make sense.

And we have seen more of that reporting, obviously, since 9/11, and as the awareness is heightened.

Mr. TAYLOR. General, if I may—

General EBERHART. Yes, sir.

Mr. TAYLOR. And Mr. Chairman, with your permission. The point I am trying to make is, I do not think you can have a real homeland defense without including the United States Coast Guard. And if you have to separate search and rescue out and if you have to separate and navigation out, and those other core Coast Guard functions out away from it and call them something else, then you have to do so.

But I truly do not think you will ever have a true homeland defense without the inclusion of the Coast Guard.

General EBERHART. Sir, we work with the Coast Guard each and every day. So we are joined at the hip in terms of homeland de-

fense, homeland security. We have coastguardsmen on our staff as the Deputy J-3; Admiral Van Sice here with me today. He is there so we have that Coast Guard expertise.

We have linkages daily to the two commanders that I cited earlier. We have commanders calls; we have the commanders conferences. Those commanders and the Commandant of the Coast Guard or his representative come to those. So we are linked to the Coast Guard.

Now, they are part of the Department of Homeland Security, but as you know, they can go from title 14 to title 10, or in title 14 they can go on homeland defense-type missions. So we are linked to the Coast Guard.

Mr. TAYLOR. What is the only government agency that has the legal right to board any vessel at any time?

General EBERHART. Sir, we both know the answer to that question. It is the Coast Guard. They can do it for safety—

Mr. TAYLOR. Are they included in your command?

General EBERHART. Sir, they are linked to our command with a dotted line. So we have forces out there that the Coast Guard uses. We have Coast Guard law enforcement detachments on Navy ships. And we support the Coast Guard when they need support.

Mr. TAYLOR. Well, I was not really crazy about your answers, general. But thank you very much for being here. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman who is the Chairman of the Strategic Subcommittee, Mr. Everett?

Mr. EVERETT. Thank you, Mr. Chairman, and thank you, gentlemen, for being here today. You both have tremendous tasks, and we appreciate your dedication to accomplishing what you have got to do and to this country.

We have spent considerable time on what I am about to ask you. I know the chairman and Mr. Saxon both talked about it, and I would like to go back to our layered defense. And we all know that the sooner we can get to an incoming, the better off we are. That would probably be the booster stage.

Admiral, you pointed out yourself that we are dealing with a matter of seconds and minutes, and seconds, in many cases. And my question is, with the day-to-day operations remaining in the service components command, we have another layer there, and I want to know if that layer inhibits us in reacting as quickly as we could, given the fact that we are dealing with seconds.

Admiral ELLIS. Thank you. That is an excellent question. And as you and I discussed, the layered approach and the role of the regional combatant commanders is absolutely essential. We will rely on them for the intelligence, and the awareness, and the sensitivities that are properly theirs within their area of responsibility.

They will be the first to be aware of growing tensions and crises. And quite frankly, sir, as you pointed out, while in flight, the boost phase is the first opportunity to deal with that threat. There are opportunities prior to launch that need to be addressed, as well, and the regional combatant commander would have an essential role in the intelligence and assessment of that capability.

It is not our intent to inject any artificial layers. The rules of engagement and the streamlined processes that we well understand will have to be a part of this layered missile defense that will be exercised, will be tested, will be refined over the next months to ensure that we can deliver on those very aggressive timelines.

And we in the United States Strategic Command will be backing up the regional combatant commanders in their roles in providing the capabilities they need to make that decision in those critical moments.

Mr. EVERETT. In other words, you are telling me that the way we have it set up now, that there would be no delay between making a decision from the sensors and the trigger-pullers.

Admiral ELLIS. Yes, sir. The important point that General Eberhart made earlier, and has been well known and addressed in this committee, is the role of intelligence and assessment in all of this. The bolt out of the blue is one scenario, where there is no pre-warning, there is no heightened tensions, there is no pre-awareness or possibility that this might occur. That total surprise is one scenario.

But I would also point out there are likely many other scenarios where regional tensions begin to heighten. We can begin to focus our sensors and our assessment on a more continuing basis on those potential areas of threat. And so, that will decrease our responsive time and increase the warning that we would get for the potential employment of those systems.

All of that needs to be worked together. That is what we are going to be wargaming in the months ahead, and that is going to be our metric for success, those timelines for responsiveness as we look at the alternative structures that will need to be a part of this operationalized capability.

Mr. EVERETT. Let me move to another subject. Your information operations mission is pretty complex. Let me note, you have complex computer operations, electronic warfare, psychological operations, deception operations. Can you give the committee a brief idea of any changes you have in your command, and also, if you are adequately funded to meet these new missions?

Admiral ELLIS. I would be delighted to, sir. The information operations area is one that is nascent and new to any combatant commander. Those responsibilities, in the context of Department of Defense information operations, have never been assigned to a combatant commander before.

It includes the elements that you describe, amongst them computer network defense and computer network attack. Thanks to the great work of the gentleman sitting to my right in the computer network defense area, we have had a longstanding joint task force that exists to support that defense of the nation's Department of Defense computer networks and support of the government and commercial networks, as well.

We are now beginning to assess how to look at enhanced capabilities with the skills and talents of other government agencies, such as the National Security Administration and the like, and are crafting new relationships with them to better enable us to pursue effective efforts in both the computer network defense (CND) and computer network attack (CNA) role.

The piece that you described in electronic warfare is particularly important, as we will articulate the warfighters' requirements in these areas and oversee the very wide range of programs that are being pursued by each of the services in support of that effort. The strategic deception piece is something that we need to address further. Some could argue that we have been perhaps too transparent in what we do and that there are ways in which we can craft systems and capabilities so that it does not make it as easy for our potential adversaries to understand where we are and what we are doing.

Clearly, operational security is important to us. We have to be able to safeguard our systems to prevent intrusion when we can, but to realize that we also have the ability, should intrusion occur, that we have the ability to very quickly and effectively deal with it, given our increased reliance on this network-centric concept that underpins not just our national security efforts but our nation's efforts on the economic side.

So we see real potential, for the first time, to bring together all of these disparate elements of information operations and add value to it. As I mentioned, this is the first time these responsibilities have been assigned to a uniform element in the Department.

Mr. EVERETT. And the funding level, are you satisfied—

Admiral ELLIS. Yes, sir. The funding levels; as you know, given our structure, will be supported by the services and the agencies, and each of them is aggressively pursuing these capabilities. It is the intent to move into real operational capabilities that have the rigor and discipline that we have historically assessed with our conventional and kinetic options, to take this from the realm of the development and experimentation into operationalization. And the funding levels are growing in each of the service areas in support of that goal.

Mr. EVERETT. Thank you very much. Mr. Chairman, I may have additional questions I will submit for the record. I must excuse myself. I have friends in Fort Rucker at 9 o'clock, and these folks are really interested in our helicopter operations at Fort Rucker and, more directly, in Flat 21. And I am going to excuse myself and meet with them.

The CHAIRMAN. I thank the gentleman and look forward to having a meeting with he and Admiral Ellis here a little bit later, and maybe in an office setting to do a little more discussion. So thank you very much.

The gentleman from Georgia, Mr. Marshall?

Mr. MARSHALL. Thank you, Mr. Chairman. I too appreciate the service that you are giving our country and all the troops that you command. I am a former mayor and a military brat. In fact, my father was Commanding General of the Safeguard Program when we were trying to develop that system. And I guess I have learned little or nothing from my father's experience, but a fair amount from having been a mayor.

And we tried to implement E 9/11 while I was the mayor, and we had a very difficult time doing that because of the bureaucracies that were involved. And that is a system that is designed to respond quickly to an emergency. And I must say I am skeptical, as Mr. Everett, I think, is wondering, about multi-layered systems,

separate bureaucracies trying to respond to an emergency in just a matter of minutes or seconds.

I think it is natural, probably natural in the military, certainly natural in typical systems, you know, in a large city with multiple departments, for a fair amount of respect to develop between department heads. A particular department is responsible for certain things, another department is responsible for certain things, and now, all of the sudden, they have got to work together. And the focus is on a separate system altogether, and the separate system, in this instance, is a system that is designed to respond quickly to a threat.

And it is only natural in a bureaucracy for the two separate departments to agree to work with one another and to do their very, very best to respect one another's ability to work carefully with the other and all the troops underneath them to work carefully in sync. And my experience has been, typically, it does not work. In fact, I do not know of a single instance in which a system like that did not slow down the response.

It would be one thing if the overall system that is designed to respond to the threat is one that requires very different technological or other capabilities so that you have to put a team together. But in this instance, it does not sound like that is the case. It sounds like one unified command could identify the threat, evaluate the threat, direct response to the threat and respond, and that that one unified command would probably be quicker than a layered command.

And what I worry about is that it is only natural, in a bureaucratic system, for the two of you to work carefully with one another and in good faith. We can do this. And to miss the opportunity to create a new system—one thing, one whole system that will effectively respond much quicker.

I know you cannot respond to that right now. I suspect you have actually had conversations about that within the Department. And I just tell you that as we progress with this, I am going to be very interested in hearing why the multi-layered approach is going to be quicker than one unified command that is responsible for the whole thing. Because my prejudice, my experience tells me that the one unified command responsible for the whole thing is the way for us to go.

And that is just a statement here, Mr. Chairman, rather than a question. I thank the gentlemen.

The CHAIRMAN. Thank you, Mr. Marshall. I thank the gentleman.

The gentleman from Nevada, Mr. Gibbons?

Mr. GIBBONS. Thank you very much, Mr. Chairman. And I, too, join the accolades of my colleagues in thanking each of you for your service to this nation. It is great to have such fine leaders out there at the right time, in the right organization for America, in this time in our history.

I have just two basic areas that I want to talk about. Perhaps, I will direct my questions to General Eberhart. NORTHCOM has, as we have heard, air, land, and sea responsibilities. It has few permanently assigned personnel to the organization. With the operations tempo (OPSTEMPO) of our militaries across the world, and

various problems that we see today, whether it is the fight against terrorism, whether it is possible action in Iraq, my question would be, General, do you feel it is a requirement to have specific forces either allocated or apportioned on a call-up basis to you?

In other words, with the OPSTEMPO that we have got, the stretching thin of our forces across this globe, should we have some specific allocation of forces directed at your call for that responsibility, to cover all of the air, land, and sea problems?

General EBERHART. Sir, essentially, today, we do have some forces that are identified and available for our use. In some cases, we are the combatant command for those forces. In other cases, those forces are identified, and once we decide to use them, we will either have operational command and control or tactical control. And we have done that for air, land, and sea forces.

So I am comfortable with that situation today. The question is, over time, will we need more forces assigned, more forces available to us to conduct our mission—and, obviously, that will be a factor of one threat—and then, frankly, how responsive Joint Forces Command is as the force provider to provide those forces so that we can use those in a timely nature. I am confident of Joint Forces Command's support.

As we look at the precedent of other combatant commands as they stood up—U.S. Space Command in the mid 1980s, our Transportation Command as we know it today—they initially had command and control, combatant command control of very few forces. But, as the command structure matured and their ability to command and control was realized, second, as missions were added, they received combatant command of additional forces.

And there is no doubt in my mind that that is where we are headed in Northern Command.

Mr. GIBBONS. You know, many times we look at—and I want to get into the second area, which is the working relationship with local law enforcement in NORTHCOM. If we look at the training requirements for our military forces, seldom do we have military forces, that might be assigned to you, trained in police-type actions. Most of them are military force-on-force-type actions.

And with the close working relationship that you are going to need with our local law enforcement, and the fact that intelligence is probably the number one defensive tool that you will have in your arsenal, I guess my question is, how are you planning to de-conflict actions with your command and your involvement with local law enforcement involvement, which may bridge the laws that prevent military actions or support of civil law enforcement where they are excluded expressly by law?

General EBERHART. Obviously, one of the things that is part and parcel to everything we do is complying with the laws of the land, and most notably, as you inferred, *posse comitatus*, in this case. We believe that there are many different ways to provide for the security of the American people, where we, in fact, do not violate the spirit or intent of *posse comitatus*.

You are well aware, in your background, of one of the major ways, and that is the state militia. The guard, under the direction of the governor, will be able to do things with local law enforcement, in support of local law enforcement, that federal forces can-

not do, unless the President uses the Insurrection Act, or something very extreme.

So that is how we would intend to do that. And we would use federal forces with clear lanes in the road, doing those things that federal forces are authorized to do by posse comitatus and by the laws of the land. But those are the types of things we exercise, and our commanders, if we deploy them, would clearly know who is in charge, who they take tasking from, who the lead federal agency is, what our command and control structure is, and what they can and cannot do in terms of rules of engagement.

Mr. GIBBONS. And, Mr. Chairman, just one final follow up. I know that the National Guard, though, once it is activated or federalized, then loses that state militia capability and becomes a federal agency in this graying of that line in any action that they would take.

General EBERHART. Exactly. And we are very aware of that. And that is why I am very sensitive to the issue of how we use and deploy the National Guard. In many cases, it is much better to use them under state status or 32 status as opposed to federalizing them, for the reasons you list.

Mr. GIBBONS. Thank you very much, the gentlemen both, for appearing here today.

The CHAIRMAN. I thank the gentleman.

The gentlelady from San Diego, Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you. Thank you, General Eberhart and Admiral Ellis for being here, and for your service, as well. I had an opportunity to participate in the National Defense University's strategic decision exercises recently, as did some of my colleague, and I actually would recommend that. I think it is good for us to do that.

And one of the concerns, of course, was the role of the military in homeland defense. And, basically, I think all of my colleagues are really asking some of the same questions today, and I appreciate that this is difficult. What was clear to me is how ambiguous the roles can be, the role of the military and homeland defense.

Could you pinpoint for us where you think those roles are the most ambiguous today and what we are doing to really try and define them better?

General EBERHART. I think that the things that are most confusing for us when we work our way through these scenarios, these war games, these tabletop exercises, is clearly what might be expected of federal forces and what we have to offer. And it is an education process. And it is thinking differently in terms of a commander of military forces.

For example, there is a sniper situation in D.C., the tragedy that occurred in and around the District of Columbia. And to get into the mindset of thinking, what do we have in the Department of Defense that might be of value to the law enforcement agencies who are trying to solve this problem, protect the American people—at the same time, comply with the laws of the land.

So I think it is getting together, discussing these things as you did over at Fort McNair, at the National Defense University, and increasing the awareness of what might be expected. But probably, that comes second.

What we have to offer, therefore—because people do not know what question to ask until we say, “We have these kinds of things,” things that go all the way to satellite capabilities of imagery that we have, in fact, used in the aftermath of the Columbia tragedy, that we use to fight fires—the list goes on and on—but to use these things in a transformational way, if you will, to protect the American people where they live and work. And that is what it is all about.

Ms. DAVIS OF CALIFORNIA. Did you want to answer that, also?

Admiral ELLIS. I think I would echo the comments of General Eberhart. The key to this is the opportunity that you were afforded, Congresswoman, where we get together and work. But it has to go beyond just the occasional exercises. And General Eberhart is working to create interagency relationships that make that a continuing set of exposure and involvement, not an episodic or periodic one.

It is a cultural change for all of us. We have historically had stovepipe responsibilities, and particularly domestically, where we have been fortunate as a nation not to have been significantly challenged in decades past. That is no longer the case. So it is forcing a different mindset, a different set of interoperability requirements, and a different set of opportunities, I would argue, to better integrate that.

Each of our major exercises now draws heavily on the interagency and other departmental elements to bring in representatives to play roles and to facilitate that understanding. We need to pursue, just as we have with your involvement, that through our training and education courses. We need to share those experiences for our young and upwardly mobile leaders so that they have got the opportunity not just to meet, but to actually work and exercise with their contemporaries and other elements.

That is the way we are going to get this most effective capability to deal with these challenges to the nation.

Ms. DAVIS OF CALIFORNIA. Thank you. Any obstacles to that? You are saying they are cultural, in many ways.

Admiral ELLIS. I am not sure that I would call them obstacles. I just think we are thinking our way through, what are the most effective vehicles? We need to bring some rigor to this and some focus on, what are the mechanisms that offer the most promise, most quickly to meet these challenges?

So I would not call them obstacles. I would rather categorize it as, which are the best opportunities to advance that cooperation?

Ms. DAVIS OF CALIFORNIA. Thank you.

The CHAIRMAN. I thank the gentlelady.

The gentleman from New Jersey, Mr. LoBiondo.

The gentlelady from Michigan, Ms. Miller.

Mrs. MILLER. Thank you, Mr. Chairman. And thank you, gentlemen, both for coming, as well as your staff. I appreciate you all coming for an early morning meeting here. I have been fascinated listening to you explain, I think, in a very comprehensive way, what the Northern Command is.

And as you have had your first six months putting your mission together there, I have a, perhaps, little parochial question. And I am just trying to understand how you do interface with, not only

Mexico, but in particular, I have a question about Canada. I represent a district in southeastern Michigan, and on the Northern Tier there, as a northern border state, we have a number of dynamics that we are very concerned about with homeland security.

We sit with the Ambassador Bridge, which is the busiest border crossing of commerce on the Northern Tier, the tunnel to Canada through Windsor there. In my district, we have something called the Bluewater Bridge, which is the third busiest border crossing behind Buffalo, actually, for a commerce artery there. There is a Canadian National (CN) rail tunnel there.

Obviously, on the Great Lakes, one-fifth of the fresh water supply of the entire planet, about 90 percent of our nation's fresh water supply. We have the largest Arabic population in the nation, I think, outside of L.A. Our state police have identified quite a few terrorist cells within Michigan.

And we are very concerned about the commerce that is coming through these various arteries. And perhaps this is a question for the homeland security director, but I ask you, how have you interfaced, in particular, with your Canadian counterparts there? We have a tremendous amount of consternation about not having—somebody had asked about the Coast Guard and their involvement with cargo ships—but we have a tremendous amount of consternation about not having any pre-clearance for all of these tens of thousands of trucks that are coming.

They only get cleared after they have been over the bridge or after they have gone through the tunnels. And we are just wondering, do you have any interaction or interface with your Canadian counterparts about these kinds of things?

General EBERHART. We are not directly involved right now in terms of the threat that might exist because of that truck traffic, if you will, of that commercial traffic. However, we are doing things that, we believe, in the long run will contribute to, hopefully, mitigating, lessening that risk.

I hate to sound like a broken record, but we are back to the technology issue—so that we are able, with sensors, remote sensing, to have a good idea what is in that truck without pulling it over and x-raying it. And then, you know how that stops everything and delays things, and obviously is not good for our commerce or the commerce of our good friend to the north.

So I am convinced, as we move ahead here, the right way to work this is sensors on those bridges, in those tunnels, that keys us to something that is suspicious. And then, we, in fact, go take that truck apart and make sure there is nothing there that is hazardous.

Now, on a larger scale, what we are doing, which I think will reap dividends for both of our nations, and especially those states and provinces along the border, is that we are establishing a bi-national planning group that will be there in Colorado Springs, appended to North American Aerospace Defense Command, to see if the relationship that we have enjoyed since 1958 in air and space defense should, in fact, be expanded for maritime operations, land operations, or civil support activities.

We all know that there are relationships out there right now between some states and provinces, agreements to come to each oth-

er's assistance, if necessary, for natural disasters or, possibly, for man-made disasters. We are trying to take this to the next level and make these agreements between the nation of Canada and our nation. And that is what we call the Bi-National Planning Group, which I think will help us work a variety of problems along our common border.

But to answer your question, we are directly involved day in and day out. That is homeland security. Now, after 9/11, if those people who are in charge of the borders believe that we cannot deal with this situation, we need military support, that military support would, in fact, come from Northern Command, and we would be directly involved.

But I think there are technologies that we are developing that will be very, very helpful, some of which are already in use.

Mrs. MILLER. Thank you, Mr. Chairman.

Mr. HEFLEY. Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you, Mr. Hefley. I believe that I arrived after some of the other members.

Mr. HEFLEY. Well, Mr. Hunter had established a pattern of going from the Democrat side to the Republican side, so—

Mr. ABERCROMBIE. Okay, I appreciate that.

Mr. HEFLEY. So, while I am in power at the moment, I realize I will be out of power soon. So I would better follow his—

Mr. ABERCROMBIE. Thank you very much, indeed. General Eberhart, I am pleased we had a chance to discuss things, and I do not want to take the committee's time up today. But I do think Mr. McHale's name has been mentioned during the hearing already, and I think it would be very useful if Mr. McHale could meet with some members of the committee who have questions as to the structure, especially, of the Northern Command and what is involved with that.

In particular, I would like to touch on some of the points that we discussed. You have in your testimony some mention about posse comitatus. And you and I have discussed, and it is no news to members of this committee, because I have raised the issue previously in other contexts for the committee that, to me, the principal element which separates this democracy from other nations on the earth is the rigid and public separation of its military capacity from civilian police activity.

And that my perception is—and it is not simply mine, but I think it is generally shared in the country where issues of liberty are concerned—is that a nation which has its police functions and its military functions essentially synonymous is, in fact, a fascist entity and antithetical and anathema to freedom, to individual law collective as we understand it in our democracy.

The question here becomes, certainly not by design—I mean, I grant that right from the beginning—but by default, could we possibly be setting up a situation in which the Northern Command would be taking over civil police functions? Now, obviously, you are assuring us that we are not, that the law is being obeyed. Although, I noticed in your testimony, you say you do not think the posse comitatus laws, and/or the judicial decisions made in the wake of posse comitatus, need to be changed, and I think the phrase is, “at this time.”

I regret that you felt the necessity of putting "at this time," because it implies that there might be a time in the future when we should alter that, and I would find that very regretful. But aside from that caveat, is Mr. McHale in the process of putting together a proposal for the Congress, either by way of legislation or a presentation of rules, regulations, administrative authority, which could institutionalize the separation of the Northern Command from any implication or indication that it somehow could have authority to supercede the existing civil police functions that are now in place; everything from, obviously, local responders in terms of fire and police and civil defense, to the National Guard, under the collective adjutant generals, and et cetera.

General EBERHART. Sir, I am not aware of any specific effort or move on his part to do that. We both know, as a former member of this committee, as a lawyer, as a reserve officer in the Marine Corps, he has a very unique appreciation for the problems that—

Mr. ABERCROMBIE. Yes, that is why I think he might be useful. So my suggestion—I think, General, you do not have to answer this today, because I have every confidence that, with what I have just outlined, we are in essential agreement on—and I do not have any doubt the administration has the same attitude.

But you and I also both know, and I am sure the administration does, that democracy does not dependent on individuals. If it does, it is in trouble. What we need to do is institutionalize this process in a way that is not dependent on your goodwill or your intelligence, or your authority, but personally, that whether I sit in this seat or you sit in that seat, that this country is assured that there are protocols in place that clearly outline what the United States military is instructed to do, what its obligations and responsibilities are.

And because this is unique and because it is evolving, I think it is important for that to take place. And my suggestion to you is that, perhaps, Mr. McHale, in league with the committee, can produce what is necessary to assure the public that institutionally, we are on the right track.

And then, Admiral, I would like to follow up on Mr. Taylor's question. I read through your testimony. I regret to say—this is not a personal observation—but I regret to say that much of it is what my journalism teacher called in high school "glittering generalities." And that does not make them less important or less pertinent to our decision making, but some of this, of necessity, I realize, because you are evolving your mission, of necessity may be general in nature, almost generic in nature.

But the specificity of what Mr. Taylor was bringing up, I think, needs to be answered. And I would hope—thank you, Mr. Chairman—I would hope that you would follow up. This maritime question is one that absolutely needs addressing. It is going to be expensive. It is going to involve a lot of personnel. But absent its implementation in some fashion, as indicated by Mr. Taylor, in cooperation with your recommendations, I think that we stand vulnerable and will have to answer for it, perhaps one day, something we would all regret.

Admiral ELLIS. Thank you, sir.

Mr. HEFLEY. Mr. Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman. And General, Admiral, thank you very much for being here, and I appreciate, in particular, your lead role in defending the homeland. It is truly remarkable that NORTHCOM had to be created in the first place, because of the emphasis of potential conflict overseas. But I feel like we are in good hands.

I particularly have a great interest in the military, in that in our immediate family, we have persons currently serving in the Army, Navy, and the Air Force, and we are all familiar with the rivalries. And I need to give you a report, General—and you will appreciate this—there is a bit of rivalry between my son and his wife expecting a baby at Bethesda, Addison Graves Wilson the Third, and his first cousin, my nephew and his wife, who are in the Air Force at Langley.

And I need to report that Grace Elizabeth Heritage arrived last night at Langley. And so I am very proud of Captain (Ret.) Kristen Heritage and Captain Alan B. Heritage. They came forth, and so we are still in a holding pattern, Admiral, at Bethesda.

Admiral ELLIS. Congratulations, sir.

Mr. WILSON OF SOUTH CAROLINA. Thank you very much.

General EBERHART. Does that mean Air Force One? [Laughter.]

Mr. WILSON OF SOUTH CAROLINA. Actually, yes. And it is hard for me, as an Army person, to acknowledge that. I want to thank you, General, for your statement in regard to NORTHCOM challenges, not problems. But what you are doing is so important, and in particular, the first point as to intelligence, and you referred to the Combined Intelligence Infusion Center. Could you explain where that is, what it does?

Because that is my concern, and you even referenced it: "Connecting the dots." And there are a lot of geniuses after events occur. Rather than name calling, I would rather see what can be done.

General EBERHART. This is an organization that is located at Peterson Air Force Base, in Colorado Springs. It is an intelligence infusion center, and the name implies that not only does it take intelligence from a variety of sources, it also takes information from a variety of open sources, and other sources, and fuses that information.

It is different from an intelligence fusion center, an intelligence center that maybe you would see at Camp Smith, in Hawaii, for Pacific Command or European Command, and that we are not gathering intelligence, nor are we, in fact, doing analysis with the big "A" in terms of we rely on the defense intelligence agency and other organizations to do that for us.

So we have tried to leverage the capability of other commands to include the Strategic Command, to get the intelligence and information we need. And again, we redefine joint here. We get it from the FBI, we get it from the Federal Aviation Administration (FAA); we get it from a variety of sources, intelligence and information. And the challenge for our folks is to put that together so we have something that is actionable.

We also believe that this will be a good pathfinder organization for the Homeland Security Department and the new intelligence organization that the President will be setting up.

Mr. WILSON OF SOUTH CAROLINA. And in addition to working with the 50 different intelligence agencies on the federal level, another challenge that you identified second is working with states and municipalities, counties. How is that coming together?

General EBERHART. What we are doing right now in our Joint Task Force for Civil Support, we are out there soliciting the state and local emergency response plans. So what we are trying to do is, one, encourage everyone to build a plan, to make a plan; if they have a plan, make sure it is current.

We are also trying to be a facilitator in terms of cross-leveling and benchmarking plans. If we find a plan that is very good, then we try to make sure that others can benefit from that planning process, try to get out of—"not invented here" if you will. So we enjoy good success in terms of—and then, we will catalogue these plans so that if we ever have to go to Columbia, South Carolina, that we already have on record and we can study their emergency response plans, so it is not a pick-up game when we get there.

Mr. WILSON OF SOUTH CAROLINA. That is excellent. And I would like to conclude by indicating I have a unique status in that, as a member of the Army National Guard, I am part of your command, and I am very grateful for that opportunity. And I appreciate your reference in the statement today that we believe that no force is better suited to help deter, prevent, and defeat many of the threats we face in today's National Guard.

And no one would know that better than General Bloom. And I am delighted to know he is with you, because it is guard members who are willing, they are trained, they are very enthusiastic to be there, they have got the networking, they know the communities, they are leaders in the communities, largely, and so it is a real resource that I appreciate you using.

And I also was interested in the instantaneous title 10 method and however we can cooperate. And I just thank you for what you are doing.

General EBERHART. Thank you, sir.

Mr. HEFLEY. Mr. Ryan?

Mr. RYAN. Thank you, Mr. Chairman. Thank you, gentlemen, for coming. I just have a couple questions also regarding your interaction with some of the local agencies and some of the, even the counter-drug task force that you worked for. Are those primarily with border states, or are those with any state in the union, just based on what the threat is?

General EBERHART. They are primarily with border states, but they are with many states that, in fact, are not border states. So the preponderance of our activity is with the border states, but not exclusive of other states.

Mr. RYAN. Thank you. The Joint Task Force-6, in some of the information that we received, they said they may be expanding their mission, the DOD may be expanding their mission. What would that entail?

General EBERHART. In terms of policy, one of the things the Office of the Secretary of Defense (OSD) is looking at is that maybe we are better served when we look at our borders in terms of homeland defense and homeland security as opposed to counter narcotics, illegal aliens, smuggling, et cetera—look at it in an over-

arching homeland defense, homeland security, and then work those issues as subsets.

So one of the things the department is looking at is using JTF-6 in a broader homeland defense, homeland security mission set as opposed to restrict the funding and activities to things that support counter-narcotics. It does not mean that you would not still do counter-narcotics, but you would do other things in addition. That is what the Office of the Secretary of Defense is looking at as we speak.

Mr. RYAN. Some of the numbers that we got, as far as the Northern Command, are around 200 right now. Is that correct?

General EBERHART. It depends. If you look at the headquarters, it is about 250, 240 right now. If you look at the headquarters, that is correct.

Mr. RYAN. And they said it was going to grow to about 500.

General EBERHART. It will probably be closer to 600 in terms of the headquarters, yes, sir.

Mr. RYAN. Just for my own personal satisfaction, how do the numbers breakdown between the homeland security, civil support, and JTF-6, roughly?

General EBERHART. Again, those are numbers that are in our subordinate commands, so those commands are in addition to those 600.

Mr. RYAN. I see.

General EBERHART. And I can provide each of those for the record for you.

Mr. RYAN. Okay. Thank you very much. One more question regarding the emergency preparedness. How do you go through and figure out what scenarios you are going to prepare for? I would imagine that there are a million, especially after September 11, given the fact that we do not exactly know what the emergency may be or what the act may be.

How do you kind of go through and just determine what may happen and how to address the problem?

General EBERHART. We built these areas based on several things. One: History. Some of them, again, are natural disasters that we build tabletop war games for, hurricanes, floods, et cetera. Others are based on what the intelligence folks are telling us that they are hearing might happen. So we try to stay ahead of what they are picking up in intelligence.

Three, we try to think out of the box. What have not we thought of? We were surprised on 9/11 despite the fact that people had talked about that. We did not anticipate them taking over the airplane. We anticipated them holding hostages, doing those kinds of things that Mr. Taylor referred to, but we did not anticipate them taking over the airplane and flying the airplane themselves.

So we are trying to make ourselves think the unthinkable, if you will. And then we try to go, again, from natural to man-made, biological to kinetic, and everything in between.

Mr. RYAN. For a biological or a chemical attack, with whatever chemical or biological agent, are there any contingencies for some kind of antidote to be sprayed? And I would not know enough about it, but you would think that there would need to be some plan saying if New York City, or any city, would be somehow

sprayed and contaminated with a certain chemical—That their contingency is to have that area sprayed, or how would you address that emergency situation?

General EBERHART. I would say the first thing that we would try to do is take people out of the hot zones, if you will; get people out of there as quickly as we possibly can. Set up barricades and other things, but make sure that, in fact, no one goes in there, because obviously, there are going to be people very concerned who want to go in and try to get loved ones and friends, et cetera. And most of this initially is going to be done by those first responders, because they are going to be first on the scene. We are going to show up later if we are needed, and invited in.

In terms of an aerosol spray that we deliver from the air, I am not aware of one that would suppress this. There are antidotes, depending on the situation, that we could give in terms of immunizations and other things that we would be looking at the supplies of that based on the threat, what had just occurred.

But the key to this will be getting people to shelter, getting them so that they are not exposed to this agent; if they have been exposed and it's something that is contagious, keep them isolated. And then, frankly, in most cases, count on the weather and the normal dispensation of this chemical.

Mr. RYAN. I guess my third last question, Mr. Chairman—I think it was JTF-6, too, that does some preventative stuff or tries to do some preventive. Is there any wiretapping that goes on as far as through the Northern Command?

General EBERHART. We do not do that. We are not authorized to do that. We do not go out and collect information.

Mr. RYAN. Okay. Thank you, Mr. Chairman. That was my final question.

Mr. HEFLEY. Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman. Thank you, gentlemen, for being here today, coming in early and enduring our many questions. I have got a question that is going to walk around the area that has been approached by many different members here of the committee, having to do with command and control, and posse comitatus, and 32 status, and all of those things, which, General, you are dealing with, that is foreign to my experience.

In my years of active service, it was always straightforward. The chain of command was very clear, all the forces were active duty, the enemy were foreign nationals on foreign soil. We have a situation, perhaps today where, in the air or on strip alert, we have F-16s, perhaps the Minnesota National Air Guard and perhaps, F-16s from the active United States Air Force.

The first question is, who is in command right now, as we are sitting here today, of that air guard F-16 squadron and the United States Air Force F-16 squadron, in their role right at this minute?

General EBERHART. If they are sitting alert for the Noble Eagle mission, they are each commanded by the continental NORAD region. It is a two-star commander that is at Tyndall Air Force Base, Florida, who, in turn, reports to me, reports to NORAD and Northern Command, depending on which hat we wear. But there are clear lines of authority.

Mr. KLINE. When they come off of alert or come back from combat air patrol and land, they leave your command, then, is that correct? And the air guard, that, then, is not 32 status. I would assume that is a title 10, or how does that work?

General EBERHART. Sir, it depends. When you are on alert and you fly, they have hip pocket title 10 orders, if you will, based on the agreements with the state governors through the National Guard Bureau. When they come back, they can go into a variety of status. They could go into pure state status, state conduct, state activities. They could go into title 32 state status, where we pay for the training, as you are aware of.

So there are a variety of different situations there depending on what the state elects to do. But that is up to the state how they do that. What they need to do is provide us, in NORAD, these airplanes this capability on alert.

Mr. KLINE. Okay, I think that is fairly clear. Now, let's take a change in scenario, and the admiral's forces identify a threat, at this point unspecified—I do not suppose it matters in this particular case. But you decide that those aircraft, F-16s on strip alert in the air, are not nearly enough to do the job, and you need, right now, six more squadrons worth. How does that work?

General EBERHART. What I would do is I would pick up the phone and call the Secretary of Defense and tell him that I needed six more squadrons for whatever reason. Hopefully, it is convincing. The Secretary of Defense says, "You have six more squadrons"—six more aircraft, six more squadrons, whatever it might be. And then, I can go to a National Guard Bureau and Joint Forces Command, and I can get a combination of guard forces, active duty forces, which would be under our command and control to execute whatever mission, to defeat whatever threat was posed.

Mr. KLINE. So if it is three o'clock in the morning, how long before you have some more aircraft ready to go?

General EBERHART. It depends, again, on the different units and how many they have deployed overseas. But to give you a comparison, on 9/11, when the attack occurred, we had 14 aircraft on alert. When the sun went down that day, we had 200 aircraft on alert.

Mr. KLINE. Okay, thank you. I want to get into the posse comitatus piece here in just a little bit. Those aircraft, when we had the 245, or however many, on alert or up, they were fully prepared to shoot down U.S. airliners. That is a MiG-23 or a MiG-25, or something. It is inside our borders.

Do you need clarification there? Are you all concerned about lines of authority? Is that a law enforcement function? Is it a military function? Is that now clear in your mind? Do you have everything you need to make that work?

General EBERHART. Sir, the answer, "Is it clear?" It is very clear. The lines of authority go from that pilot in there to the continental NORAD region commander two-star, to me, to the Secretary of Defense, to the President—the lines of authority. Law enforcement does not get involved other than to possibly cue us to a problem. But that decision is made through a solid line, clear lines of authority to the President.

Are we concerned? You bet we are concerned. There is nothing that I lose sleep over more than having this situation upon us and

having to make that decision, or make a recommendation, to the Secretary of Defense. But the lines of authority are clearly understood. We exercise this weekly.

Mr. KLINE. Great. Thank you very much. I yield back, Mr. Chairman.

Mr. HEFLEY. Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman. I am glad that you all are here this morning to speak with us. I know that Mr. Taylor mentioned something about this a little earlier this morning, and I think something of great importance, not only to the function of the Northern Command, but also I may say, which I believe, is the seam in our military defense.

We had down in Florida—I am from Miami, Florida—and we had down, a little incident in Florida less than a month ago, and we were on high alert. Three Cuban military officers, actually, it was in a go-past boat that was marked as a military boat, flying a Cuban flag, came right into the Hyatt Arena. They got out of the boat. One of the gentleman had a sign on and walked straight down to Wall Street and surrendered to a police officer.

Now, I know in south Florida, we have the largest coast guard station in the country. We have drug interdiction, customs, a number of those agencies that I believe sit at the table at Northern Command. I think that it is something that we need to pay very close attention to, and many times because south Florida is, how would you say, surrounded by Caribbean islands.

Many of those islands have issues, be it economic or government oversight, of what have you. And I am concerned because Cuba is in line with Iraq as it relates to the United Nations (UN). If they could, they would be side by side with Iraq, and they are diplomatically. I am very concerned because I do not think that our intelligence, even in Cuba, due to the fact that it is not a democracy, due to the fact that it has been a threat for a very long-time, and Castro is a long time standing leader of communism, that that is something that we really have to pay very close attention to.

I spoke with General Hill yesterday, or SOUTHCOM, that is located right outside of my district, but still close to my district in Miami. He punted and said, "It was NORTHCOM you needed to talk to." I know that we have planes that could scramble out of Homestead, or even out of the air force base there in Key West, I am not sure. But there has to be some coordination, serious coordination as it relates to it.

There was a news report in the Miami Herald. As a matter of fact, this is the police report with the military IDs of these individuals. But there was a newspaper account and the coast guard was asked, "Well, what is your comment on this," and he said they could not determine if U.S. military, if they would been tracking these individuals from Cuba to Miami.

There is not supposed to be any activity at all, need it be air or sea, between Cuba and Key West, or south Florida. So I think with all of the capabilities and technology that we have, it is something that we need to pay very, very close attention to. And we definitely need you all at the Northern Command paying very close attention, very, very close attention, if I can emphasize that a few more

times, due to the fact, if we want to look at our weak spot, it is definitely happening there.

We have had incidents, as you know, in 1991, a Cuban MiG landed on U.S. soil. It happened in 1969, but obviously, I was a very little person then. But I just want to say that this is a very heavy situation as we look at homeland security. I serve on Homeland. Many members of this committee serve on Homeland Security.

I want you to elaborate further on what we could do to avoid this in the future. We were at high alert. I just want to add, the same place where they docked there at the Hyatt, cruise ships are there overnight. And as we look at terrorism, that has to be something that we are dealing with.

I do not know of any other place in the continental United States where we have a communist country where military individuals are able to penetrate through.

General EBERHART. Obviously, we share your concern. What happened should not have happened. We cannot make an excuse for that. I think what is important in what you asked is, what types of things are we pursuing in the future to try to preclude this? Again, it sounds like a broken record. It is technology.

And it is things like wide area sea surveillance, so that we, in fact, have as good a sea picture as we have air and space picture today, so that we have this vehicle traffic system that the coast guard is starting to deploy to the various ports and harbors, so that we truly know when something is approaching and entering the harbor, so that we do not have a situation where they dock, get out, and walk down Main Street.

When we have transponders aboard ships—now, again, the bad guys are not going to tell us who they are, but that allows us to at least sort out that person, that ship is not transponding, is not sending a signal. Maybe we ought to go look at that, and that would be a suspect in nature.

So those are the kinds of things that we need to do collectively from industry, commercial industry, to the Coast Guard, to those who support the coast guard, NORTHCOM in this case, as they do the maritime security role for this nation. And then, ideally, we should not let that even get close to our shore. So through other types of things, communications intelligence (COMINT), signals intelligence (SIGINT), et cetera, we ought to know that it is departing Cuba, and have a picture on the water so that we can go out and intercept it before it comes to the mouth of the harbor.

But those are the kinds of ways that we need to work this problem to make sure that we will be secure in the future.

Mr. MEEK. Mr. Chairman, if I may—General, if you could—

Mr. HEFLEY. Mr. Meek, we are running out of time.

Mr. MEEK. Yes, but I just wanted to ask him—

Mr. HEFLEY. Be very quick.

Mr. MEEK [continuing]. If you would have your staff send me something in writing of some recommendations, I would love to follow up on that.

General EBERHART. Yes, sir, we will do that.

Mr. MEEK. Thank you, Mr. Chairman.

Mr. HEFLEY. Mr. Simmons.

Mr. SIMMONS. Thank you, Mr. Chairman. Thank you, General and Admiral, for your testimony. General, you made the comment, "think the unthinkable." I think that is what we have to do. You made reference to open sources of intelligence and fusion centers, which I think is absolutely critical in the task that you have before you.

Ms. Miller asked a question with regard to our borders in Canada and some of the problems that we have there. And what I would like to do is to present a very brief scenario. You said on page three of your testimony that, with regard to your concern for threats within our airspace, we look forward to fielding expanded capabilities to track even smaller low-altitude threats—we look forward to it, smaller low-altitude threats.

In the Secretary of State's presentation to the United Nations, in open sources in the media, there is repeated discussion of unmanned aerial vehicles, UAVs, currently in the possession of Iraq, with a range of around 500 kilometers, I believe, from open sources, tested and fixed with biological sprays, able to launch, let's say, in Loudon County, fly over Washington, D.C., spray the city, flying low, maybe 300 feet above the terrain.

What do you do in a scenario like that? And that is my question to you, and I will let you think about it for a moment, and I will pose my question to the Admiral so that I do not waste everybody's time. As we move away from Cold War military force collection strategies—Cold War military force collection strategies—toward the creation of the processes and systems necessary for comprehensive, synergistic, and flexible contingency intelligence, surveillance, and reconnaissance (ISR) operations. Think about explaining that to me in language that I would understand.

Admiral ELLIS. I would be delighted, sir.

Mr. SIMMONS. Thank you.

General EBERHART. Sir, we are very concerned about the UAV threat, and the other threat that we referred to. But the smaller, more-difficult-to-see threats would be the cruise missile threat in the future, especially a cruise missile threat that has a low radar cross section.

But to get to your question, again, I think that the key to our success here will be working the front-end of this problem. Intelligence cueing, intelligence that somebody is going to bring one of those aircraft into the nation, or somebody is building one of those aircraft in the nation. And then, look for the marriage of a vehicle like that with chem/biological weapons, and who has the stockpile, who has the authority to do that.

And then, frankly, it is an awareness on the part of people and neighbors there in Loudon County, the farmers, the ranchers, the law enforcement folks to realize that these things can pose that type of a threat.

And then, finally, depending on the profile it flies and how big it is, the ability with the air defense assets that we have in the Capitol region today, the combat air patrols we have to possibly shoot it down. But again, that is problematic based on the flight profile and the size of that vehicle in terms of how we detect it and then how we engage it.

But the key to success, in my view, is you have got to work the front-end of this problem. If you do not work the front-end of this problem, if you wait until that thing is launched, the profile, the scenario that you suggest would be very difficult to defeat.

Mr. SIMMONS. Thank you. And just as a quick follow on—and I am still interested in the admiral's comments—in nuclear facility security, we test the security system with operations. In communications security, we test the system security with operations. The U.S. has within its capacity the ability to fly a UAV to test the system. Have you done so, will you do so, and if so, when?

General EBERHART. To test the system to detect a UAV and engage it?

Mr. SIMMONS. Yes.

General EBERHART. Yes, sir. We have done those types of profiles, but not at the size range that you have talked about, not at the smaller range.

Admiral ELLIS. Thank you, Mr. Simmons. The intelligence, surveillance, and reconnaissance platforms that were addressed in my statement are those things that provide a great deal of that oversight and perspective on the regions that may threaten us around the globe.

Historically, those systems, be they on-orbit satellites or air-breathing collection aircraft, or even terrestrial or maritime monitoring capabilities, have been procured in service-specific stovepipes. They have not been procured or addressed as part of a larger system that, I would argue, we need to consider as we look to the challenges of today.

As we see in each area of crisis in recent years, we tend to move all of those surveillance resources to support the theater commander, who is fully engaged. Clearly, that is important and he needs that support, and we need to provide everything that he requires for success. But we also need to acknowledge that we run the risk of then uncovering other areas, which now are unmonitored or in which there are activities of which we may be unaware.

It is my belief that we need to develop the persistence that the service chiefs have talked about, and our ability to surveil what is going on, but also develop a capability to look at things globally. If we are engaged in global conflicts such as the Global War on Terrorism, our ISR systems have to be procured as systems that allow us to do that, to meet the legitimate needs of the regional combatant commander, including General Eberhart, but at the same time ensure that we are continuing to monitor other areas of potential crisis on the globe.

And that is what I say when we are looking beyond the stovepipe approach before and now helping to define, from a joint perspective, what those overarching requirements might be.

Mr. HEFLEY. Mr. Reyes?

Mr. REYES. Thank you, Mr. Chairman. I apologize for being late. But as you know, with this compressed schedule, we have multiple hearings going on. I appreciate the opportunity and the service of the General and the Admiral.

I have just one brief question for General Eberhart, and that concerns JTF-6. And I know, General, you have had an opportunity

to go down there and visit, and also visit with the heads of the many different law enforcement agencies that are served so well by the JTF-6 support and operations. Can you, for the record here and the committee, can you give us your opinion and your impression of JTF-6?

Because in today's environment, I believe that DOD is trying to eliminate a substantial part of their budget. And since it is now under your command, the concern is that there is going to be a strategy to try to get law enforcement agencies to fund those operations, which, obviously, they cannot, and it is a critical time in our history with the pressure on the border, including people wanting to militarize the border.

So if you would give us your impressions of JTF-6, I would appreciate it.

General EBERHART. I would characterize my impressions of JTF-6, prior to going there, as a supporter. After visiting with JTF-6 and the other organizations and agencies they coordinate with and perform missions with on a daily basis, I have become a champion of JTF-6. I guess I would challenge anyone to visit JTF-6 and not come away with that very same opinion.

My view is that JTF-6, like JTF East and JTF West, are models for interagency cooperation at the tactical level that we would do well to emulate at the operational and strategic levels in terms of cooperation, trust, confidence, friendship. And it does not come as a surprise to any of us, but it is good to see that, as always, the sum of the whole is much bigger than the individual entities that contribute to that when they work together for the security of this nation, in this case, in securing our border.

So I am a big fan of JTF-6. I am very impressed with what they do. My view is that we ought to expand their mission, and in, again, a more overall homeland security, homeland defense, which I know that the policy folks in OSD are looking at as we speak.

Mr. REYES. Thank you, Mr. Chairman.

Mr. HEFLEY. Ms. Wilson?

Mrs. WILSON. Thank you, Mr. Chairman. I have three questions. General, you are off the hook; they are all for Admiral Ellis. The first has to do with the strategic deterrent. And Admiral, I wanted to know, from your perspective, are we capable of holding at risk the things that our potential enemies value most, both now and in the future? And I am particularly concerned about the fusing in of and tunneling in of some capabilities.

And do we need to study modifications to our strategic stockpile to hold these targets at risk?

Admiral ELLIS. Ms. Wilson, that is an excellent question. As you know very well, and as the members of the committee know, the proliferation of hard and deeply buried targets around the world is a source of continuing concern to us. And the honest assessment is that not all of those can be dealt with by systems currently in the inventory, conventional or nuclear, and that as we consider options for, hopefully, in a deterrent character, for the future, but to give us an ability to respond to these future threats, we are going to address or should address the full spectrum of options that may be required, conventional, non-kinetic, and even nuclear, in an analytical and assessment role, simulation and modeling.

And that would enable us, in my view, to have that discussion about what options might best serve the security needs of the nation, based on a consistent set of factual information and data. So I am very much supportive of allowing that assessment and insight to continue.

Mrs. WILSON. Thank you. I am interested in your new missions in space, and particularly, how you are better connecting space to the war fighter, not so much the programs or the benefits, which I think we all agree on, but the "how." How, in your command, are you looking at setting up functions, and procedures, and mechanisms to systematically be looking forward at how space can help the warfighters?

Admiral ELLIS. Well, it is an excellent question. And as I mentioned in my opening remarks, I give fair credit to the gentleman seated to my right, who, when he was commanding the, then—United States Space Command, really moved dramatically forward in the provision of support to the warfighter.

The support occurs at many levels. It is not just in the headquarters element. It is not just in the area of where we are proponents for joint requirements. It is not just an area where we ask our fellow combatant commanders what they most need from support from space. It is also represented in the deployed end of personnel forward, so that they have an understanding of the complexities and the opportunities that are resident in our space systems.

We have deployed space and information operations elements, teams on the order of 45 to 50 people, to support General Franks' efforts, for example, with significant reach-back capabilities to our headquarters both in Omaha and in Colorado Springs, so that they understand the issues.

And as General Eberhart alluded to earlier in response to a different question, it is important that the warfighters understand what is available in space, that they understand the right questions to ask, that they understand the things that can now increasingly be done for them, how we can actually not only oversee the capability of a GPS constellation, for example, but enhance its accuracy for them at times where that is critical to their operations; how we can, as we have in support of General Franks, brought together bandwidth and communications connectivity to support his disparate locations all over his theater of responsibilities, literally move satellites in order to do that and provide that coverage for him and his forces, to allow him to draw very quickly on expertise for planning, and targeting, and assessment in support of whatever contingencies might be required of him in the future.

All of those, more today than ever before, are not enabled by, not supported by space resources, but are made possible by space resources and cannot be done without them, from the targeting pieces to the guidance of those precision weapons that he might be called upon to use. It is important that he has unencumbered access to that space expertise and to those systems. And that is very much a part of our focus now and in the future.

Mrs. WILSON. I appreciate that it is part of your focus, and we encourage you to continue to look at ways to systematically do that as opposed to, somebody knows somebody else who used to work

somewhere, and they know that that capability is out there. And I appreciate that.

The final question I had was about information operations. And you have been given a new mission, which is a particularly challenging and important one, on computers, integrating computer warfare, electronic warfare, psychological operations (PSYOPS), deception, as well as defense of our own information operations. And that is a pretty big piece to chew.

And I wonder if you would talk about what changes you envision in your command, driven by that mission, and do you have the resources to do it?

Admiral ELLIS. I think that is a great question. Information operations is almost as broad as you can imagine. We have been tasked with support of Department of Defense information operations, which encompasses the five elements that you described there. Clearly, there will be a need to, through the Department of Defense, integrate with the other elements of informational operation and national influence that have to be consistently applied to ensure we maximize the effects.

From an organizational standpoint, this is going to require new sets of component relationships. In other words, I do not think it is reasonable for me to even expect to create, on my staff, a level of expertise and computer network assessment, and the fact that is resident, for example, in the National Security Agency, with tens of thousands of people.

What we need to do is establish relationships where we can draw on the capabilities that they have, satisfy the very legitimate title 10, title 50 issues, and have them support me with the expertise and talent so that we then can access that when we need it. There are many other organizational elements that can provide similar capabilities in the information operations (IO) area.

It is not about ownership. It is not about self-aggrandizement or wholesale growth of the organization. It is the ability to bring together, for the first time, the unity and the integration that is required to begin, for the first time, to really deliver on the capabilities that information operations promises the nation.

It is my view that we have talked a lot about this for a number of years, but that we have not yet begun to deliver on the potential. This organizational alignment gives me the responsibility and the authorities now, for the first time, to bring together all of those who are participants in this—agencies, services, and the like, and begin to move in that direction.

We are excited by the prospect. We know there is much to be done, but they are going to be fundamental to our success.

Mrs. WILSON. Thank you, Mr. Chairman.

Mr. HEFLEY. Mr. Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman. General Eberhart and Admiral Ellis, I thank you very much for your testimony. I apologize for coming in late. And I have a question for General Eberhart, and maybe it has already been asked, but just in case.

What is the relationship between your Northern Command and the new Department of Homeland Security? And I know that is a broad question, and I just want to have a general feel for that.

General EBERHART. I think the best way to describe that relationship is to look at what I call the strategic, and operational, and tactical levels. The strategic level, the level at which we set policy and make resource decisions—that will be the Department of Defense with the Department of Homeland Security, Secretary Ridge to Secretary Rumsfeld and their offices.

At the operational level, where we do the planning that will, in fact, execute that policy, that will be done predominantly at Northern Command, working with our counterpart organizations inside Homeland Security—Coast Guard, the former FEMA, et cetera, et cetera.

And the tactical level, out where things really happen, where success is dictated, that will be the people in the field, the soldiers, sailors, airmen, Marines, Coast Guardsmen, working with their counterparts, whether it is a lead federal agency, FBI, FEMA, or whether it is first responders, or whether it is the state's militia. That will be the tactical level where we exercise, train, and execute, if we have to execute.

Mr. HEFLEY. We are out of time, and I want to thank you gentlemen for being here. Admiral Ellis, I appreciate you stopping by the office earlier so that we could have a visit. And General Eberhart, I apologize to you for standing you up. I want to apologize publicly, not only because of who you are and that you are a dear friend, but you are also one of my constituents. So I feel very bad.

Do not go home and tell them that I stood you up, but I was over on the floor voting when you came by. I think the testimony was excellent this morning. We appreciate so much what both of you are doing in this very, very serious, dangerous, exciting time in our nation's history.

Mr. Skelton?

Mr. SKELTON. Let me add to that a special thanks to each of you. Your testimony has been excellent and we appreciate it very much. If anyone in uniform has no defect jobs, it is the two of you. So we wish you well, continued success, and I hope you will stay in touch with us so we can give assistance.

Thank you.

Admiral ELLIS. Thank you, sir.

Mr. HEFLEY. The committee stands adjourned.

[Whereupon, at 10:23 a.m., the committee was adjourned.]

A P P E N D I X

MARCH 13, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 13, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Hearing on U.S. Northern Command and U.S. Strategic Command

Thursday, March 13, 2003

This morning, the committee continues hearings on the posture of our Unified Combatant Commands.

It is a pleasure to welcome our witnesses this morning:

- General Ralph E. Eberhart, USAF
Commander
U.S. Northern Command
- Admiral James O. Ellis, Jr., USN
Commander
U.S. Strategic Command

Gentlemen, we look forward to your testimony.

As we discussed yesterday, the 2002 Unified Command Plan made major changes to the missions and responsibilities to our

Unified Combatant Commands. Nowhere are those changes more apparent than in the commands represented here today.

With the creation of U.S. Northern Command last year, the United States has, for the first time in its history, a Unified Combatant Commander whose sole responsibility is defense of the homeland. Northern Command's primary focus is on military threats emanating from outside the United States. However, NORTHCOM is also charged with providing military support to civil authorities and conducting emergency preparedness to support the President and Secretary of Defense in the case of a designated National Security Emergency.

All these missions require NORTHCOM to interact on a daily basis with multiple Government agencies. Chief among these is the new Department of Homeland Security, an organization that, like NORTHCOM, was only recently created. General Eberhart, the committee is interested in hearing what

progress has been made in standing up your command, and how your interaction and coordination with other government agencies is progressing as we move to improve homeland defense.

In addition to creating NORTHCOM, the Unified Command Plan made major changes to U.S. Strategic Command. Not only did STRATCOM absorb all the missions of the now defunct U.S. Space Command, but STRATCOM was also assigned the additional missions of global strike, C4ISR, integrated missile defense, and information operations. In addition, last year's Nuclear Posture Review altered the concept of the traditional nuclear triad, changing the way we think about our nuclear deterrence.

Admiral Ellis, the committee looks forward to receiving a report on the progress STRATCOM is making in integrating all the various mission areas that are now your responsibility.

Let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

The entirety of our witnesses' prepared statements will be entered into the record.

General Eberhart, the floor is yours.

**Opening Statement for The Honorable Ike Skelton (D-MO),
Ranking Member, House Committee on Armed Services
Posture Hearing with Combatant Commanders of U.S. Northern
Command and U.S. Strategic Command
March 13, 2003**

Thank you, Mr. Chairman. I join you in welcoming General Eberhart and Admiral Ellis. I thank each of you for joining us and for your continuing service.

It is fitting to have you two gentlemen testify together as you lead—in effect—our two new commands. As we all know, Northern Command was stood up only last October, and Strategic Command is very different from the old command that bore the same name. These changes were necessary and will help us respond better to the new threats and challenges we face as a nation. Both these commands are still in the process of settling into new roles and responsibilities. I hope you'll let us know how it is going and what remains to be done.

General Eberhart, we all understand what a huge task the defense of this nation is, and we know that you have already achieved great success in the continuing mission of Operation Noble Eagle. But as we know from our legislative efforts in creating the Department of Homeland Security, many organizations are involved in keeping the American people safe. One of our concerns has been that we may have created too many new organizations at once—with the Department of Homeland Security, Northern Command, and the civilian homeland defense organization in the Pentagon all standing up around the same time. I hope you'll tell us how these organizations are working together, what challenges you still face, and how we on this committee may be of assistance in the upcoming legislative cycle.

Admiral Ellis, Strategic Command has faced an equally daunting task. You have had to figure out how to implement a Nuclear Posture Review that redefined what strategic forces are and have had to take on four new and critical missions. Because Strategic Command has global

responsibilities, you have had an important role in helping other commanders plan operations in the global war on terrorism. I hope you will address what lessons you have learned so far that may help in the planning of future operations. I hope you'll also explain how Strategic Command is getting involved with evolving questions of nuclear weapons policy and doctrine. This is an area of concern to many on this committee, and we would appreciate your insights.

Again, I thank both of you for being with us today and I look forward to your testimony. Thank you, Mr. Chairman.

**Statement of Congressman Jeff Miller
Delivered to the House Armed Services Committee
Thursday, March 13, 2003**

Mr. Chairman: I would like to thank General Eberhart and Admiral Ellis for their attendance today. I think highly of both men and believe their contribution to our national defense is beyond gratitude.

Mr. Chairman, we are at a very trying time in our country. We are posed for war on several fronts. In the Gulf, I see men and women leaving my district on what seems like daily deployment messages from the Pentagon. The men at the Air Force Special Operations Command, based at Hurlburt Field, just outside Ft. Walton Beach, Florida are on regular rotations to areas of combat. The men and women aviators, training at Pensacola Naval Air Station or Whiting Field are training with their eye on using those skills in the very near future.

Our homeland is threatened by the continued risk of a terrorist attack. So our National Guardsmen are deployed to protect bases and are continuing to train with early responders.

Homeland security is on the forefront of the American psyche. It affects our economy, our mindset, our way of life. Providing security to our citizens is the prime charge of government and it is imperative that our infrastructure, in place since September 11th, provide that security our citizens expect.

In realize this command is in its infancy. I realize adjustments may need to be made. But please, Mr. Chairman, as a committee, we must make it known that we are here to assist in this challenge and our efforts, either affirmative or negative, are done with the country's best interest in mind. We are a team and I appreciate the most important members and look forward to their testimony.

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UNTIL RELEASED BY THE HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
ADMIRAL JAMES O. ELLIS, USN
COMMANDER
UNITED STATES STRATEGIC COMMAND
BEFORE THE HOUSE ARMED SERVICES COMMITTEE
ON
COMMAND POSTURE

MARCH 13, 2003

FOR OFFICIAL USE ONLY

UNTIL RELEASED BY THE HOUSE ARMED SERVICES COMMITTEE

Mr. Chairman, Congressman Skelton, and Distinguished Members of the Committee,

It is an honor to appear before you representing the outstanding men and women of United States Strategic Command. As you know, the President has given all of us in the Department of Defense clear guidance to "challenge the status quo and envision a new architecture of American defense for decades to come." The new US Strategic Command is a clear product of that revolutionary and continuing effort. Today, the finest Soldiers, Sailors, Airmen, and Marines – representing active duty, Guard and Reserves – joined by a cadre of talented civilians, are building an entirely new command, instrumental in fighting the war on terrorism and focused on reshaping the nation's military capabilities for the demands of the 21st Century.

Capitalizing on the historic work of our predecessors, we have made tremendous strides in the short time since the key elements of US Space Command and US Strategic Command were reshaped as the new US Strategic Command. Specifically, we

- Created an entirely new unified command, while streamlining headquarters management and supporting the establishment of the vitally important US Northern Command.
- Provided world-class deployed and reach-back intelligence, planning, space, and information operations expertise to the Regional Combatant Commanders either engaged in the war on terrorism or planning for potential operations around the globe.
- Completed a sweeping revision of the nation's strategic planning in support of the Nuclear Posture Review, updating our deterrent force posture for the needs of the new international environment.
- Successfully supported the initial launches of both the Atlas V and Delta IV, a major step in sustaining assured access to space for the next decade.

- In accordance with Presidential direction in Unified Command Plan Change Two, assumed four global missions previously unassigned to any combatant commander.
- Began developing new partnerships with NASA, the National Security Agency, the Missile Defense Agency, and the Intelligence Community in order to better satisfy the nation's defense needs in the 21st Century.

Each of these ongoing efforts is important to our future, but represent only the first steps. They are a foundation for aggressively pursuing, with our strong and growing team of defense and Agency partners, our next set of challenges and opportunities. As we work to reshape ourselves for the future, we are guided by the six transformational goals Secretary Rumsfeld identified and shared with this distinguished Committee last month:

- Defend the US homeland and bases of operations overseas
- Project and sustain forces in distant theaters
- Deny enemies sanctuary
- Improve our space capabilities and maintain unhindered access to space
- Harness our advantage in information technology to link different types of US forces so they can fight jointly
- Protect US information networks from attack and disable the information networks of our adversaries

The new globally-focused United States Strategic Command plays an integral and defining role in each of these six areas, and I welcome the opportunity to address the Committee on the opportunities, policies, and programs supporting the command's posture.

Creation of the new Command

In 2002, following a series of high-level studies that included the Space (Rumsfeld) Commission, the Quadrennial Defense Review, and the Nuclear Posture Review, the President and Secretary of Defense directed the creation of a new unified command to effectively and efficiently anticipate and counter the diverse and increasingly complex global threats our nation will face for the foreseeable future. These threats to our homeland, our allies, and our interests abroad range from conventional military capabilities to the asymmetric and indirect dangers of cyber attack, weapons of mass destruction (WMD), and terrorism - each designed to circumvent US strengths and exploit any vulnerabilities on the ground, in the air, at sea, and in space. These threats are global in scale and often transcend geographic or regional boundaries.

The new US Strategic Command was established October 1, 2002 to address these very threats. The command is chartered to pursue an integrated, trans-regional approach to both deterrence and warfighting, and to further strengthen our complementary and supporting relationships with the regional combatant commanders, each of whom retains the full responsibility for the regional challenges within their respective area of responsibility (AOR). Initially assigned responsibility for nuclear deterrence, and space and computer network operations, on January 10, 2003, the President expanded the command's role to include four additional missions previously unassigned to a unified command. These include global strike planning and execution; integration of Department of Defense information operations (IO); global missile defense integration; and oversight of command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) in support of strategic and global operations. These newly assigned missions will broaden our global supporting role, further strengthen our nation's deterrent posture and bring focused responsibility and authority to our space and information operations missions.

The Synergy of Space and Strategic Forces

The strong and productive relationship between on-orbit sensors and communications capabilities and nuclear deterrent systems is deeply-rooted in our recent military history. The historic Strategic Air Command was the forerunner of both the former US Space and US Strategic Commands, leading the nation's successful efforts to develop preeminent space and nuclear programs during the Cold War years. Our success in developing strategic space-based capabilities such as missile warning and survivable communication links, coupled with a strong nuclear deterrent, contributed in many ways to a peaceful end to the Cold War.

In the years that followed, both US Space and US Strategic Commands pursued their own well-defined mission areas. From 1985 to 2002, US Space Command made tremendous progress in enhancing on-orbit capabilities, while simultaneously expanding their application from the purely strategic arena to the tactical battle space. The warning of Scud launches during Desert Storm and the broad application of the Global Positioning System (GPS) to navigation and weapons guidance are but two examples of how the space community transformed our on-orbit capabilities into combat tools capably employed by warfighters at all levels. The combat power, networked systems, and global reach of our military today are a tribute to the contributions of America's space program and US Space Command's diligent work over the course of 17 years.

Over the decade since 1992, the former US Strategic Command stood at the ready, supporting strategic deterrence through rigorous and disciplined planning, effective training, and robust command and control of our nation's strategic nuclear forces. The professionals of STRATCOM still bear the enormous responsibility of overseeing our nation's nuclear arsenal, confident that the command's readiness is the most effective guarantee that the use of such weapons will never be required. Most recently, in response to the dramatically changed international security environment, US Strategic Command conducted exacting analysis in support of the development of the 2001 Nuclear

Posture Review which is already reshaping our deterrent posture for a very different future.

The new US Strategic Command, in bringing together the great strengths of these two commands, brings a new dimension to the planning and conduct of global operations, and represent a major step in implementing the vision of the Nuclear Posture Review.

The Future of our Nuclear Force Structure

I am proud to report our Nation's nuclear deterrent forces remain ready. They are manned by a cadre of true experts, trained and disciplined to effectively support the goals of our national security strategy. Importantly, the rigorous oversight of our nuclear arsenal will continue under the new command as it has for more than half a century. We are implementing the operational planning recommendations of the Nuclear Posture Review, establishing a deterrent strategy better aligned with the new and more demanding international security environment. In so doing, we have already begun to move toward the President's goal, as codified in the Moscow Treaty, of between 1700 to 2200 operationally deployed strategic nuclear weapons by the year 2012. As we begin to reduce deployed strategic weapons by two-thirds, we have initiated deactivation of all 50 Peacekeeper ICBMs, removed four Trident SSBNs from strategic service, and are making plans to retire the oldest warheads in the nation's nuclear stockpile.

As we address the issues of our aging strategic nuclear forces, we will work with our partners in the Department of Energy, and with the Congress to address each important issue. Beyond the Navy's submarine launched D-5 missile, still in low-rate production, we are no longer building any of the weapons or platforms that comprise our strategic forces. With no new systems under development, the important task of supporting and modernizing delivery systems, aging warheads, and infrastructure must be pursued energetically and pragmatically in order to ensure our nuclear forces remain a ready, reliable, and credible element of our Nation's security posture.

As the nation's nuclear stockpile continues to age, we must carefully monitor its condition and take the measures necessary to keep it effective. Through the National Nuclear Security Administration's science-based Stockpile Stewardship Program, we continue to improve our surveillance, modeling, simulation tools and processes to provide the critical data we require in the absence of testing. I thank you for the committee's long-standing support of the Department of Energy's critical life extension and modernization programs.

As we discuss future deterrent concepts, the role of advanced conventional and even non-kinetic weapons should be addressed along with possible modifications to our strategic stockpile. Informed dialogue is essential and, as the Secretary of Defense has noted, there is a substantive difference between conducting a study of these relevant issues and actually developing or deploying weapons.

Newly Assigned Warfighting Missions

The vision for US Strategic Command is exciting. It requires re-thinking, operationalizing, and, in some cases, building from the ground up, every mission in our portfolio. Fortunately, the experience gained from carrying out our space operations and our nuclear deterrent roles will facilitate development of our newly assigned missions. The rigor and exactness of nuclear planning, the robust command and control for our operational forces, and the warfighting focus and cutting edge technology of our space and information operations missions translates directly to the global strike, missile defense integration, information operations, and C4ISR missions now assigned to the command.

Global Strike. US Strategic Command's newly assigned global strike mission extends our long-standing and globally-focused deterrent capabilities to the broader spectrum of conflict. The incorporation of conventional, non-kinetic, and special operations capabilities into a full-spectrum contingency arsenal will enable the command to deliberately and adaptively plan for and

deliver rapid, limited-duration, extended-range combat power anywhere in the world. This innovative approach to global strike will provide a wider range of options to the President in responding to time-critical global challenges.

As envisioned, global strike can be conducted either at the direction of our national leadership, or in a supporting role to a regional combatant commander. At the direction of the President or Secretary of Defense, global strike will provide the nation an immediate ability to engage a select set of targets by moving rapidly from actionable intelligence, through adaptive planning, to national-level decision-making and the delivery of effects across thousands of miles. In its supporting role, global strike will provide to a regional combatant commander what may be the most critical element early in the fight - time. As a regional combatant commander assembles and moves forces into position, desires strikes into denied areas, or prizes the element of surprise, US Strategic Command can provide early planning and tangible, long-range combat capability. This committee's support of advanced conventional weapons initiatives such as SSGN reconfiguration and the Common Aero Vehicle (CAV) will play a large part in improving our future joint warfighting effectiveness in the global strike arena.

Information Operations. Delivering on the promise of information operations is one of US Strategic Command's top priorities. This nascent mission area promises to dramatically improve our offensive and defensive capabilities, which could very well reduce the number of weapons required in our arsenal and the force size required in future conflicts. Quite simply, I believe that effective, integrated IO comprises the next revolution in warfighting, and US Strategic Command's objective in our new role as the integrator of DoD information operations is to bring a joint perspective to improvements in the capabilities provided to our national leaders and warfighters in the field.

Today, each Agency, Service, and command operates an information operations program, and is working diligently to develop and field cutting

edge capabilities that may offer innovative new ways of bringing decisive effects to the battle space. STRATCOM will provide ready access to IO planning, reduce stovepipes, test and validate new capabilities, and provide a responsive command and control system to the joint warfighter. We will focus our efforts on integrating and coordinating all of the DoD core IO capabilities, which include military psychological operations, electronic warfare, operational security, military deception, and computer network attack and defense.

Our vision is for US Strategic Command to become the central IO arsenal for the warfighter. While we should not and will not own all IO programs, nor execute all IO missions, we will have full insight and access to all DoD IO capabilities. With this knowledge we can build on our 56-year foundation of rigorous planning and analysis to bring an integrated, deliberate planning process to the IO realm. We envision providing weapons with a known system reliability and analytically-based estimates of consequences and effectiveness, just as we have done for decades with the nation's nuclear forces. We will support an expeditious national-level approval process for conducting IO, and we will work to ensure warfighters have what they need at their disposal, not only during crisis but also during the critical planning, training, exercise, and deployment phases.

Just as we look to information operations as a potential avenue for bringing asymmetric effects to the battle space, so do our adversaries. With our dramatically growing reliance on the Department of Defense's computer networks, we must continue to effectively address the difficult issue of cyber security. Through our component, the Joint Task Force - Computer Network Operations (JTF-CNO), we are again taking a global approach as, in a real sense, each of our DoD information assurance programs is dependent on the adequacy of all the others. We will work in concert with each of the unified commands, the Services, Defense Agencies, and our allies to collectively meet the computer network defense challenges of the 21st Century.

Missile Defense. The danger posed by weapons of mass destruction and their delivery systems is clearly one of our nation's top concerns, and the Missile Defense Agency is actively developing a multi-layered missile defense system to provide an additional level of protection for our homeland, our allies, and our forces in the field. As General Myers noted recently before this committee, missile defense is inherently a multi-command and multi-regional task, and, as the Missile Defense Agency acquires missile defense systems, US Strategic Command will bring a warfighter's focus to most effectively and efficiently integrate and operationalize the system on a global scale. US Strategic Command is fully partnering with the Missile Defense Agency, and is developing a global missile defense concept of operations and battle management architecture to provide the full support needed by the regional combatant commanders to defend their theaters, including the ballistic missile defense of the continental United States by US Northern Command.

Missile defense has evolved from an effort focused on a mid-course intercept of ballistic missiles to an integrated, multi-layered, cross-AOR approach to meet the challenge of achieving an Initial Defensive Operations (IDO) capability by late 2004. A critical element of any global missile defense capability will be detailed and effective tactical warning, which we will continue to provide to national leadership and regional commanders. US Strategic Command currently supplies sensor information for the missile warning component of integrated tactical warning and attack assessment, and we appreciate your support of the systems that will improve our warning capabilities in response to changing threats and expanded intelligence requirements. The Space Based Infra Red System (SBIRS), appropriately funded in the President's budget, is a prime example.

Enabling Capabilities and Missions

In the fast-paced and complex national security environment of the 21st Century, US warfighters must have access to superior information to conduct

decisive operations. US Strategic Command provides oversight and authority for many of the systems and missions that serve as the enablers for the nation's defense, including responsibilities in the command and control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) and space arenas.

Command, Control, Communications, and Computers (C4). Although "C4ISR" represents several related and essential capabilities, US Strategic Command is deliberately parsing out the acronym into its key elements to better address the very different challenges in each area. Under the Unified Command Plan, the command is assigned the role of tasking and coordinating C4 in support of strategic force employment. Our objective is to provide the means to integrate, synchronize, coordinate, and convey information to support superior decision-making and tasking at any level from the President to the front-line warfighter. The events of September 11, 2001 illustrate the need to improve our national command and control architecture. We are working with our partners at US Joint Forces Command, the Defense Information Systems Agency (DISA) and the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD/C3I) to craft a new national-level C4 system that provides improved information flow, rapid decision making, and dramatic improvements in our current bandwidth constraints. While this is important for all missions, it is imperative for the integrated missile defense and global strike missions, where data gathering, decision making, and execution must occur within minutes. Your continuing support of the communications architecture initiatives in the President's budget will enable the Department to dramatically improve our critical national level and joint warfighting capabilities.

Intelligence, Surveillance, and Reconnaissance (ISR). US Strategic Command is also tasked under the Unified Command Plan to plan, coordinate, and integrate ISR for the Department of Defense in support of global and strategic

operations. We are working closely with our partners in the national Intelligence Community to move away from Cold War military force collection strategies and toward the creation of the processes and systems necessary for comprehensive, synergistic, and flexible contingency ISR operations. We see great value in assisting the warfighter in determining the optimum use of scarce collection assets by focusing on ISR information requirements versus specific platforms. This will also enable us to better maximize and prioritize the capabilities of our collection systems, whether space-based, air breathing, at sea, or on the ground, and integrate their collection with critical human intelligence and technical data to meet the needs of both the warfighter and the national decision-maker. It will enable us to better assemble integrated, synchronized strategies and architectures that provide persistent, actionable, predictive intelligence and streamlined dissemination. We look forward to working closely with the Intelligence Community as they develop systems such as the Future Imagery Architecture (FIA) that will play a large part in our intelligence collection capabilities of the future.

Space Operations. The United States is the preeminent space-faring nation in the world. As the nation's designated space warfighter, US Strategic Command will continue to bring an operational perspective to our space capabilities. Our space systems are essential, not just enabling, to each of our disparate missions, and they underpin many of the distinct technological advantages we have over our potential adversaries. From a special operations soldier on horseback navigating by GPS to our global communications architecture providing intelligence and command and control around the world, never again will this nation fight without significant contributions from space. The alignment of our new missions under the same command with responsibility for capabilities on orbit holds great promise for the continuing operationalization of space, and we are striving to assist the combatant commands in integrating and blending these unique and essential capabilities into all of their plans and processes.

Assured access to space is the precursor to all our on-orbit capabilities, and is clearly in our vital national interest. As the heritage systems Titan II and IV, Atlas II, and Delta II near the end of their lives, the Evolved Expendable Launch Vehicle (EELV) program remains the Department's chosen option for ensuring the ability to safely and responsively launch orbital assets. Although the contraction in the commercial launch market has changed the business case for EELV, the EELV remains a promising avenue, as demonstrated by the recent successful launches of both vehicles.

Inextricably linked to assured access is maintaining viable gateways to space. Our East and West coast ranges continue to provide safe and effective spacelift and test and evaluation services to military, civil, and commercial users, and we must continue to search for the most effective and fiscally responsible strategies to ensure they remain adequate for the long-term.

Space will continue to be a realm we share with industry, our allies, and increasingly our adversaries. Importantly, the same flexibility and freedom of action the US currently maintains in the terrestrial, maritime, and aerial environments, consistent with international law and customs, is the goal of US Strategic Command's space control efforts. While the US enjoys significant military and economic benefits from our current lead in space communications, navigation, and remote sensing, threats may well emerge to challenge these interests. Our role is to ensure the US fully meets these challenges, providing uninterrupted access to space and on-orbit capabilities. We will accomplish this through our role in US military, commercial, and scientific launches, and through military representation to US national agencies, commercial endeavors, and international organizations for matters related to military space operations.

Similar to our growing reliance on computer networks, and potential growth in vulnerabilities if left unaddressed, the security of our nation's space systems is of utmost importance. US Strategic Command is studying and identifying critical components and defining the most effective ways to safeguard our capabilities on orbit and on the ground. An important aspect of

our on-orbit security is ensuring space situational awareness through greater surveillance capability, and improvements to our global sensor network will remain one of my highest priorities.

Mission Integration. As we further refine our current missions and build to our new taskings, the interrelationships and interdependencies among all our missions are increasingly apparent. Global strikes may include options for employment of information operations. Information operations may require a space-based communications architecture for implementation. Space-based communications and intelligence capabilities will be a crucial enabler for global missile defense. And missile defenses may include complementary offensive global strike options. US Strategic Command is committed to improving joint combat effectiveness by modernizing systems, streamlining processes, and providing fully integrated mission capabilities to the warfighter and our national leaders.

Warfighter Support

Winning the war on terrorism remains the Department's top priority, and US Strategic Command has played an integral role from the moment the President arrived at Offutt AFB on September 11, 2001. Since that day the men and women of US Strategic Command have provided support in all areas of our expertise - intelligence, planning, space, IO, and communications. Specifically, we

- Provided federated intelligence support to multiple regional combatant commands, conducting battle damage assessment and intelligence analysis, and leading the intelligence community-wide effort to find and characterize underground facilities in Afghanistan.
- Deployed Theater Planning Response Cells (TPRC) on ten occasions to three theaters to provide counter-WMD planning and consequence of execution analysis to regional combatant commanders facing the difficult challenge of targeting WMD facilities.

- Provided a continuous Space and Information Operations Element presence at US Central Command, enabling immediate access to space-related and IO capabilities.
- Optimized bandwidth allocation in support of operational deployments, working with the regional combatant commanders and making recommendations to the Joint Staff to better maximize the communications capabilities available to forces in the field.
- Assured peak GPS performance for precision strikes through our GPS Enhanced Theater Support program, reducing the number of sorties required and minimizing collateral damage.

Although successful in each of these endeavors, US Strategic Command is striving to even further refine our support to the warfighter. We are developing a single team of professionals that bring the full suite of our global capabilities - strike, space, IO, missile defense, planning, communications, and intelligence - to the joint warfighter in an even more integrated fashion. Rather than sending multiple, disparate teams to arrive at a deployed commander's doorstep, we are developing a consolidated team that will fit seamlessly into a regional combatant commander's organization and provide both deployed and robust 24/7 reach-back capability to our headquarters. We are working with the regional combatant commands and US Joint Forces Command to integrate our team and communications architecture into the regional combatant commanders' training and exercises in order to establish and mature the relationships that will enhance joint warfighting effectiveness in future conflict.

Optimizing the Organization

Serving as robust stewards of our existing missions while simultaneously developing our four newly assigned missions and capabilities is a monumental task. Understanding we cannot grow substantially in a reduced manpower environment, we are instead flattening and shrinking the overall

organizational structure of our headquarters to work more effectively and efficiently. Additionally, with the help of the Services, we are developing new relationships to fully utilize DoD capabilities and expertise, while not duplicating in our headquarters what other professionals already do so well.

Componency. As we design concepts of operations for the globally-focused and increasingly operational US Strategic Command, we are pursuing innovative concepts for new Service relationships that employ the capabilities resident in other organizations that US Strategic Command can tap for unique skills and expertise. US Strategic Command is fortunate to have strong relationships with many national Agencies, and, as we move forward in each of our new mission areas, we will need even stronger ties to both our current and new Agency partners. We are exploring component-like relationships with the Agencies, as well as with our national laboratories who play a large role in supporting our technological and planning needs. We're excited about the opportunities to leverage their expertise as we expand and develop capabilities applicable to our new missions.

Our People. Success in any of our missions depends on our number one asset - our people. Maintaining the culture of excellence in both rigorous nuclear planning and highly-technical space operations depends on recruiting, training, and retaining the best and the brightest. We will also need to develop an entirely new set of skills, leveraging our air defenders and space operators, to build a missile defense cadre. I fully support General Lord's efforts at Air Force Space Command to chart a course for space professional development, as recommended by the Space Commission, and Lieutenant General Cosumano's personal management of the Army's dedicated space operations officer career field, along with Vice Admiral Mayo's space cadre initiative within the Navy. Additionally, I appreciate the continued emphasis Congress places on raising the overall quality of life for the men and women in uniform

and their families, which contributes in innumerable and intangible ways to the defense of our nation.

Challenges and Opportunities

As we work to achieve the opportunities envisioned by the creation of the new command, we will face many challenges in systems, organizations, processes, and relationships. These include

- Implementing the recommendations of the NPR, to include developing advanced offensive and defensive capabilities, along with analytical tools, that will allow us to meet the President's goal of minimizing our reliance on nuclear weapons
- Assuring affordable and responsive access to space
- Delivering on the promise of IO to the warfighter
- Global missile defense integration to protect the nation and our forces in the field
- Providing adequate bandwidth and a robust communications architecture for rapid decision-making and global combat operations
- Streamlining the ISR process to ensure comprehensive, persistent, predictive, and actionable intelligence in the 21st Century
- Ensuring the right organizational structure and component relationships to make our missions possible in a reduced-manpower environment
- Defending the Department of Defense's computer networks as we become ever more reliant upon them
- Ensuring robust anti-terrorism / force protection measures for our critical nuclear and space-related facilities

All of these challenges will require a team effort, inside and outside the command. We look forward to working with you and our many partners to adequately meet these and all challenges that lie ahead.

Conclusion

Combat readiness and combat support remain the top priority for US Strategic Command. While 2002 was a year of new thinking and new concepts, 2003 and 2004 will be years of execution. Under the umbrella of our revised mission set, we are taking the first steps in the evolution of our strategic capabilities, and we embrace the challenge of delivering on the promise of better meeting the nation's global warfighting needs.

Never before has such a broad array of missions been combined under one combatant command, and we are aggressively building the right teams, the right organizational structure, and the right plan to move confidently from concept to tangible combat capability. We will leverage our historic strategic planning expertise and our space, information operations, and regional support heritage to become a more globally focused operational headquarters, better able to provide the combat capabilities required by warfighters and our national leaders.

I appreciate your continued support of the men and women of US Strategic Command and the unique and essential contributions they continue to make to our Nation's security. I look forward to reporting our progress to you in the future as we continue to build the new United States Strategic Command.

Thank you, and I welcome your questions.

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STATEMENT OF
GENERAL RALPH E. EBERHART, USAF
COMMANDER
NORTH AMERICAN AEROSPACE DEFENSE COMMAND
AND
UNITED STATES NORTHERN COMMAND
BEFORE THE HOUSE ARMED SERVICES COMMITTEE

13 MARCH 2003

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HOUSE ARMED SERVICES COMMITTEE

Chairman Hunter, Congressman Skelton and Members of the Committee:

It is an honor to appear before this Committee again, and to represent the outstanding men and women of North American Aerospace Defense Command (NORAD) and United States Northern Command (USNORTHCOM). The soldiers, sailors, airmen, Marines, Coast Guardsmen, National Guardsmen, reservists and civilians serving in our Commands are truly the "best of the best," and give our two great Nations—the United States and Canada—every reason to be proud.

NORAD

Our number one priority is to strengthen aerospace warning and control of United States and Canadian airspace. Prior to 11 September 2001, we focused on threats originating from outside North America. As a result of these terrorist attacks, we now also look for threats from within our borders.

Thanks in large part to the timely passage of the Fiscal Year 2002 Defense Emergency Response Fund, today we have connectivity with 70 Federal Aviation Administration (FAA) long-range interior en route radars, better ground-to-air communications, and a robust coordination capability to provide comprehensive coverage of our airspace.

Throughout this integration effort, the FAA has been very responsive to our requests for technical assistance. This strong partnership of dedicated people is committed to further improving our ability to protect the Nation's airspace.

Operation NOBLE EAGLE. NORAD defends North America from domestic air threats through Operation NOBLE EAGLE. Across the United States and Canada, armed fighters are on alert and flying irregular combat air patrols to identify and intercept suspect aircraft. Since 11 September 2001, we have flown over 27,000 sorties to deter, prevent and defend against potential terrorist attacks, without a single mishap. This tremendous accomplishment is a tribute to the professionalism and perseverance of the men and women executing these missions.

In addition, we are supporting homeland defense operations with a layered air defense of the National Capital Region. We have developed new relationships across the Department of Defense (DoD) and with interagency partners to establish a comprehensive shield to guard our Nation's capital.

To maintain our warfighting edge, we routinely exercise and evaluate our ability to defend against the full spectrum of air threats. United States' and Canadian civil agencies continue to make air travel safer through increased airport and aircraft security measures. However, if called, we stand ready as the last line of defense against threats within our airspace.

North American Air Surveillance Plan. In our efforts to provide the best possible coverage of North America, we have teamed with the FAA and North American Air Surveillance Council to further enhance our wide-area surveillance capabilities. There has been an outstanding level of interagency cooperation to develop a comprehensive North American Air Surveillance Plan that addresses our requirements to detect, identify and classify all aircraft within North American airspace. We look forward to fielding expanded capabilities that track even smaller, low-altitude threats.

NORAD'S RELATIONSHIPS

USNORTHCOM. NORAD and USNORTHCOM are two separate commands. Neither command is subordinate to the other or a part of the other, but we work very closely together. Members of the two commands work side-by-side within the Cheyenne Mountain Operations Center and, in many cases, United States military members are dual-hatted in positions on both staffs.

Bi-National Planning Group. The Departments of Defense and State have been working with their counterparts in Canada to develop additional areas of cooperation to better protect our citizens. One promising outcome of this collaboration is an agreement to establish a Bi-National Planning Group for a two-year term.

This group will identify additional ways to protect our citizens and strengthen air, land and maritime defense of North America, while respecting the national interests and sovereignty of each nation. Members have already begun arriving and will be appended to NORAD.

USNORTHCOM

On 1 October 2002, the President established USNORTHCOM as a regional combatant command to provide "unity of command" for United States military actions that counter threats to our homeland from the air, land, or sea domain. We are just like the other regional combatant commands, with one important difference—the United States homeland is in our area of responsibility.

We conduct operations to deter, prevent, and defeat threats and aggression aimed at the United States, its territories and interests. We also provide military assistance to civil authorities, when directed by the President or the Secretary of Defense. When we work with civil authorities, we will most likely be in a support role to a lead federal agency, providing "one-stop shopping" for federal military assistance. The President's decision to establish USNORTHCOM has enhanced the DoD's ability to provide quick, responsive support, when and where needed.

Organization. USNORTHCOM has few permanently assigned forces. Whenever mission requirements dictate, we will request additional forces from the Secretary of Defense, and if approved, receive them from our force provider, United States Joint Forces Command. Our day-to-day operations are conducted by three subordinate commands:

- The Joint Force Headquarters—Homeland Security supports land and maritime defense planning for the continental United States, and provides military assistance to civil authorities.

- The Joint Task Force—Civil Support provides command and control of consequence management forces that respond to chemical, biological, radiological, nuclear, and high-yield explosive events.
- The Joint Task Force-6 provides support to federal, state and local counterdrug law enforcement agencies.

Exercises. Over the past several months, we have trained and exercised with 55 federal, state and local agencies across a broad spectrum of scenarios. During UNIFIED DEFENSE 02-2 in September 2002, we validated our initial capability to command and control forces in response to future attacks. Most recently, in February 2003, we completed a second major exercise, UNIFIED DEFENSE 03-01, to strengthen the trusted relationships we need with interagency partners to defend our Nation's homeland.

Current Operations. We have demonstrated our ability to conduct operations in a number of emergency situations. During the Washington D.C. sniper attacks, we coordinated aerial surveillance for the Federal Bureau of Investigation's efforts. Most recently, we supported military operations in the aftermath of the Space Shuttle Columbia tragedy. As directed by the Secretary of Defense, we established a response task force to provide command and control for DoD resources and units, in support of the Federal Emergency Management Agency.

We have also been called upon to conduct operations in support of pre-planned events. In October 2002, using forces provided by United States Pacific Command, we supported the President's attendance at the Asia Pacific Economic Cooperation Conference in Los Cabos, Mexico. In January 2003, we provided command and control of all military support to the State of the Union Address, to include security, emergency medical, and chemical and biological response forces.

Emergency Preparedness and Response. We have the capability to assist local responders and lead federal agencies in their response to a bioterrorism incident. Although biohazard investigative expertise exists in most local and state health departments and in the Federal Centers for Disease Control and Prevention, these resources may become overwhelmed in emergency circumstances. When directed by the President or Secretary of Defense, we will provide bioterrorism experts to a lead federal agency to help prevent or contain a situation. Likewise, we are ready to provide field medical units, as well as logistics, transportation and security capabilities to assist federal, state and local agencies, as required.

USNORTHCOM'S CHALLENGES

Intelligence. Homeland defense relies on the sharing of actionable intelligence among the appropriate federal, state, and local agencies. Our Combined Intelligence and Fusion Center collates and analyzes data from the United States Intelligence Community and nearly 50 different government agencies. One of our greatest challenges lies in sifting through the volumes of intelligence and operational data from these sources. Our goal is to help connect the dots to create a clear threat picture, playing our appropriate military role as part of the interagency team. Another shared challenge is to overcome cultural and procedural differences among the DoD and other Departments for information that is collected, categorized, classified, analyzed and disseminated.

Homeland Command, Control and Communications. We need to be able to command and control forces and to coordinate planning and operations with agencies at the federal, state and local levels. Interoperable communication architectures and trusted information exchange environments provide the framework for coordinated operations. We have ongoing efforts with our homeland defense and civil support partners to upgrade existing architectures and to better integrate our information collection and exchange capabilities.

Ballistic Missile Defense. We are working with the Missile Defense Agency, United States Strategic Command and other combatant commands to develop the Concept of Operations that will ensure the United States has an effective missile defense capability by the fall of 2004.

Posse Comitatus. We will remain vigilant in ensuring that USNORTHCOM is used in accordance with the laws of our great Nation-respecting the rights and liberties of every American. We understand the Posse Comitatus Act and related laws and the clear limits placed on military support to civil law enforcement. We believe the Act, as amended, provides the authority we need to do our job, and no modification is needed at this time.

USNORTHCOM'S RELATIONSHIPS

Our Command is built upon a total force and total national team concept that includes members from all five Services, the National Guard, the Reserves, DoD Civilians and numerous federal, state, and local agencies. We believe we are redefining "jointness" by forming new partnerships within the DoD and with numerous civilian agencies, as well as strengthening existing ones. Developing these strong relationships is key to our success.

Department of Homeland Security. The Secretary of Defense will coordinate with the Secretary of Homeland Security on policy and resource issues. In accordance with decisions by the Secretary of Defense, we will work with various sectors of the Department of Homeland Security on operational planning, training and execution.

Assistant Secretary of Defense for Homeland Defense (ASD(HD)). We have frequent interaction with Paul McHale on a broad range of issues. As ASD(HD), his principal duty is the overall supervision of the homeland defense activities of the DoD.

Other Combatant Commands. We have established a conceptual framework with Admiral Jim Ellis, Commander, United States Strategic Command; Admiral Ed Giambastiani, Commander, United States Joint Forces Command; and General

Charlie Holland, Commander, United States Special Operations Command to secure the homeland. We are also working closely with the regional combatant commanders to eliminate threats to our homeland from afar. Our focus is to address gaps in coverage and any overlapping responsibilities to ensure that we provide an integrated defense for our citizens at home and abroad.

National Guard. We have a close relationship with the National Guard Bureau, which is enhanced even more by having Major General Steve Blum, an Army National Guardsman, as our Chief of Staff. We believe that no force is better suited to help deter, prevent, and defeat many of the threats we face than today's National Guard. Through the National Guard Bureau, USNORTHCOM coordinates with state headquarters for planning purposes and maintains situational awareness of National Guard actions and commitments.

To support our missions of homeland defense and military assistance to civil authorities, we are looking at the feasibility of evolving the current mobilization process into something closer to the current air defense model used by the Air National Guard in support of NORAD's mission. Specifically, Air National Guard fighter units of 1st Air Force have been successfully employing instantaneous Title 10 USC orders for several years. These orders allow an individual to volunteer, with consent of the Governor, to be federalized for specific missions prior to execution. We believe we can achieve a higher level of readiness if we apply the air defense mobilization model to the existing National Guard response forces, when needed in a federal capacity.

Coast Guard. Maritime Defense missions involve traditional military activities such as combat air patrols and naval operations within our area of responsibility. In these cases, we would take the lead and the Coast Guard would likely be called upon for support. It is important to note that the Coast Guard does not report to USNORTHCOM, although we do have several Coast Guardsmen on our staff, including Rear Admiral Jim Van Sice, who serves as

our Deputy Director of Operations. The Coast Guard is in the Department of Homeland Security, and any requests for Coast Guard assistance to DoD would come from the Secretary of Defense to the Secretary of Homeland Security.

By contrast, the Coast Guard would be the lead federal agency for maritime homeland security. When directed, we would support Coast Guard homeland security missions through our naval component commander. This support might include maritime air surveillance, the use of naval surface combatants with Coast Guard Law Enforcement Detachments onboard, or the use of specialized DoD capabilities.

Interagency. We are leveraging the unique capabilities and expertise of federal, state and local agencies to protect our homeland. Our Joint Interagency Coordination Group is working to help synchronize interagency plans, exercises and operations. In addition, we have a growing number of liaison officers in our headquarters staff at Peterson AFB, to include the Federal Bureau of Investigation, Central Intelligence Agency, Federal Emergency Management Agency, and the National Imagery and Mapping Administration.

POTENTIAL FUTURE CAPABILITIES AND MISSIONS FOR NORAD AND USNORTHCOM

We continue to address critical command and control challenges highlighted by the terrorist attacks on our homeland. We are committed to improving our situational awareness by developing a common operating picture for the air, land and maritime domains.

Combatant Commanders' Integrated Command and Control System. We are pursuing ways to leverage the Combatant Commanders' Integrated Command and Control System to modernize our aging 60's era air and missile warning systems and infrastructure. This will allow us to migrate to our next-generation Battle Control System and provide the foundation for a fully integrated NORAD-USNORTHCOM command and control capability.

Battle Control System. The upgraded Battle Control System will provide connectivity with a wide array of radars and sensors across North America, thereby giving our homeland a more integrated air defense capability. As future increments are fielded, we will be able to process air defense data faster, as well as improve our battlespace awareness.

High Altitude Airship (HAA) Advanced Concept Technology Demonstration. The Office of the Secretary of Defense, the Missile Defense Agency, the United States Army and NORAD are spearheading the effort to demonstrate the technical feasibility of an unmanned, untethered, long-duration HAA. The prototype airship will stay airborne for one month and carry a 4,000-pound payload. We expect the objective HAA to have the capability to stay airborne for up to a year and carry a payload greater than 4,000 pounds. A robust HAA capability would give warfighters persistent wide-area surveillance of the battlespace against a full spectrum of air, land and sea threats.

Homeland Security Command and Control Advanced Concept Technology Demonstration. USNORTHCOM is sponsoring this Advanced Concept Technology Demonstration to provide the DoD Homeland Security community with operationally relevant command and control capabilities. This initiative will help us rapidly insert mission-enhancing technologies and promote information sharing, collaboration and decision-making in a trusted information exchange environment.

CONCLUSION

We are grateful for everything the members of this committee have done to ensure our ability to defend our homeland. The National Defense Authorization Act for Fiscal Year 2003 reflects your commitment to our mission, as well as to our servicemen and women, and we appreciate your continued support. With your help, our Nation will be safer tomorrow than it is today. I am honored to appear before you, and look forward to your questions.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 13, 2003

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. Are the requirements of JTF-6 stressing our troops too much in light of the other commitments, including the build-up in the Middle East?

General EBERHART. Commanders take future deployments and potential impact on unit readiness into consideration prior to volunteering for any JTF-6 missions. During JTF-6 mission execution, these units receive valuable training that helps prepare them for operations in other combatant commanders' areas of responsibility.

Ms. DAVIS OF CALIFORNIA. How does Navy Marine Corps Intranet fit into your Network Defense role?

Admiral ELLIS. The Navy and Marine Corps Intranet (NMCI) is replacing several legacy networks and will fit seamlessly into the computer operations of our Naval and Marine Corps components. NMCI provides centralized configuration management across the enterprise, and incorporates a defense-in-depth philosophy that provides several enhanced boundary protections, Internet filters, and user security measures. Joint Task Force-Computer Network Operations (JTF-CNO), a component of US Strategic Command, will provide operational computer network defense (CND) reporting and direction for the NMCI through its Naval Component Task Force for Computer Network Defense (NCTF-CND). Once NMCI is fully on line it will set a standard for all DOD networks.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. As the Commander of the United States Northern Command, what infrastructure model do you see taking shape to plug in to your needs and capabilities? Do you foresee using the Coast Guard model or regions to provide your needs and capabilities, other existing infrastructure or a totally new structure to provide homeland security?

General EBERHART. The United States Northern Command has few permanently assigned operational forces. When mission requirements dictate, we receive additional forces that are approved by the Secretary of Defense. We are studying alternative organizational constructs, to include the Coast Guard model and regional options, to see if they would improve our ability to execute assigned missions.

Mr. MILLER. What ways do you see the individual states participating in USNORTHCOM's mission?

General EBERHART. Upon approval of the Secretary of Defense, the states would provide forces (in Title 10 status) to USNORTHCOM to execute our homeland defense and military assistance to civil authorities missions. We will expand our coordination and planning activities with individual states by inviting many of them to participate in our training and exercise programs.

Mr. MILLER. Do the Canadians remain vital contributors to NORAD?

General EBERHART. Canadians are our partners in the North American Aerospace Defense Command (NORAD). Canadian military members account for approximately one-third of NORAD's total force and perform vital operations, planning, and leadership roles throughout the Command. The Canadian government provides nearly 20% of NORAD's budget. In addition, collaboration between the Departments of Defense and State with their Canadian counterparts has produced an agreement for a two-year term Bi-National Planning Group to identify additional ways to strengthen the land, and maritime defense of North America, as well as support to civil authorities. We continue to believe this partnership is key to protecting our nations and citizens.

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. What are the consequences and implications for joint training if JSIMS is not continued beyond Version I—what capabilities currently exist that could replace the unique capabilities of JSIMS if it were not continued beyond Version I?

Admiral GIAMBASTIANI. No Joint or Service legacy system completely satisfies the requirements established by the JSIMS Operational Requirements Document. Likewise, Joint Forces Command seeks a modeling and simulation capability that provides an improved replacement for a wide variety of antiquated Joint, Service and Agency legacy simulation systems. However, given its history, JSIMS program continuation is correctly dependent upon the outcome of Joint Forces Command testing and the Defense Department's Analysis of Alternatives. In the interim, networking Joint and Service simulation systems is sustainable.

Mr. FORBES. Admiral Giambastiani, as you are well aware, the proper training of our combatant commanders, their staffs, and our troops is critically important for ensuring our forces are as prepared as they can possibly be to protect our Nation and its allies around the globe. The Joint Simulation System (JSIMS) was designed exactly for that purpose and delivered its Version I training capability in December 2002. Now, however, the FY04 budget request contains no funding for continued development of JSIMS. Can you provide the Committee your assessment of the importance of JSIMS and its utility for JFCOM, our combatant commanders, staffs, and troops?

Admiral GIAMBASTIANI. Modeling and simulation plays an important role in transforming the U.S. military. Joint Forces Command seeks a modeling and simulation capability that provides a single improved replacement for a wide variety of antiquated Joint, Service and Agency legacy simulation systems. The federation of simulations central to the execution of last summer's Millennium challenge experiment demonstrated the utility of such a system, but also the challenge of creating such a capability from those legacy simulation systems. The Joint Simulation System (JSIMS) was intended to provide next generation joint and Service training simulation tools; reduce relative development and life-cycle cost; and substantially improve performance.

The recent Program Decision Memorandum (PDM) did not cancel the JSIMS program, but discontinued JSIMS development beyond Block I pending the analysis of alternatives. In the interim, Joint Forces Command received Version 1 of JSIMS in December 2002 and began testing, is taking steps to establish a Software Support Facility (SSF) to maintain JSIMS Block I software, and will support the analysis of alternatives. Program continuation is dependent upon the outcome of this testing and the Defense Department's analysis of alternatives. In any case, a JSIMS-like capability is important to joint training and experimentation, particularly as we develop the Joint National Training Capability (JNTC) and account for new approaches to warfare by moving beyond current, attrition based models.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—BALLISTIC MISSILE DEFENSE

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, March 20, 2003.

The committee met, pursuant to call, at 9:05 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The meeting will come to order.

It was almost 20 years ago to the day—March 23, 1983—that President Ronald Reagan questioned the logic and wisdom of our strategic policy of Mutually Assured Destruction, or “MAD”, and thereby challenged the same scientists and engineers who created our system of nuclear deterrence with the task of developing the means to render these weapons “impotent and obsolete”.

Over the years, Congress and the nation have engaged in a vigorous debate over the merit of this change in strategic policy. However, in 1999, Congress passed, on a bipartisan basis, H.R. 4—the National Missile Defense Act of 1999—officially committing the United States to the deployment of a national missile defense system “as soon as is technologically possible”.

While much has transpired since President Reagan’s visionary speech, today we finally stand on the threshold of turning that vision into reality. The administration deserves great credit in recognizing the urgent need to both change the strategic arms control framework and pursue all prudent technological avenues to achieve this goal.

Last year, the United States exercised its legal right to withdraw from the obsolete and counterproductive Anti-Ballistic Missile, or ABM, Treaty. Contrary to the dire predictions of some, the world did not end and strategic stability did not collapse.

In fact, most of the world hardly seemed to notice or care. If anything, the international community has become more attuned to the problem of the proliferation of strategic weapons and the means to deliver them and more focused on developing the means to defeat them. ABM was simply a treaty for another era.

By ridding ourselves from the artificial constraints of this treaty, we can now fully explore all options for basing sensors and weapons to provide the most comprehensive defense possible. Accordingly, the Department of Defense (DOD) has already conducted a

number of important test activities that would have likely been prohibited by the ABM Treaty.

Most recently, President Bush announced in December the decision to begin fielding an initial defensive operational capability beginning in the fall of 2004. The budget now before us supports this decision by requesting an additional \$1.5 billion over the next couple of years to increase the number of ground-based interceptors (GBI) planned for the Pacific ballistic missile defense test bed from 5 to as many as 20. The request also would equip 3 of our Aegis-capable cruisers with as many as 20 of our developmental Navy upper-tier interceptors, and 5 times that number of Aegis-capable destroyers with upgrades to their tracking radars.

While this decision will likely prompt a further round of debate in the Congress, I believe the results of our test program over the past two years are a cause for confidence and optimism and that we must push forward to field an operational capability as quickly and prudently as possible. That said, these are merely initial steps. And much more work remains to be done.

Let me note in closing that if the world's most destructive weapons were launched at the United States—either by accident or with malevolent intent—today there is still nothing we can do to stop them. We cannot stop one. It would be the grimmest day this nation has ever seen.

Were we able to stop only one of those missiles, the result would hardly be less tragic, but the number of lives saved could easily be measured in the hundreds of thousands. Given the stakes, we have no choice but to move forward and eliminate this glaring vulnerability as rapidly as possible.

So, let me recognize the committee's ranking Democrat, Mr. Skelton, for any remarks that he might wish to make. And I would like to welcome, after Ike's statement, of course, our guests: The Honorable Pete Aldridge, Under Secretary of Defense, Acquisition, Technology and Logistics; Honorable J.D. Crouch, Assistant Secretary of Defense, International Security Policy; Lieutenant General Ronald T. Kadish, United States Air Force, Director, Missile Defense Agency; and the Honorable Thomas P. Christie, Director of Operational Test and Evaluation, Department of Defense.

And, gentlemen, we look forward to your testimony. But first, I want to turn to my partner and colleague, the gentleman from Missouri, the ranking Democrat, for any remarks he might want to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 1075.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Thank you very much, Mr. Chairman. And I want to say a personal thank you to you for your leadership and the way you are leading this committee. I appreciate it.

There are no surprises; we work together quite well. And I just cannot thank you enough. And I think everybody on this committee should understand how well we are working together.

So thanks a million.

And Mr. Chairman, I would be remiss if I did not say something first about the events that began our time last night, when we received the official call that the hostilities had begun. So the young men and young women wearing the American uniform are certainly in our thoughts and prayers today.

So, gentlemen, let me welcome you. And it is nice of you to provide General Kadish some company today. Hope you do not think of yourselves as human shields, although he probably appreciates the deflections that he is used to getting before this committee. Although, we all have great respect and admiration for you, General.

The people of the United States do need to be defended from missiles. No question about that. And there is no question that the Missile Defense Agency is pursuing that goal zealously. And we thank you for that, the zeal showed in last night's success with the Patriot missiles from the Scuds that were incoming toward our troops.

I will share with you something that does worry me. Some two years ago, the missile defense budget was increased more than 50 percent. And this year, the budget proposal is almost—another 20 percent that is proposed on top of that. This is already the largest hardware program in our Department of Defense.

Now, it would be one thing if that extra money were going to deploy technologies that we already have to protect our troops, such as the Patriot or Advanced Patriots like last night. I think there was strong consensus in this room about that.

But much of it is going to new research programs, including new ideas about putting weapons in space. I am not sure there will be a consensus on that.

But, General, let me point out—I jokingly said to you awhile ago that we have done a great deal of research on you, and you smiled. But in truth and fact, let me remind you of this, in your official biography, General, “The Missile Defense Agency is presidentially chartered and mandated by Congress to acquire highly effective ballistic missile defense systems to forward deployed and expeditionary elements of the U.S. Armed Forces. Additionally, the Missile Defense Agency will develop options and, if directed, acquire systems for ballistic missile defense of the United States.”

So there is a primary duty set forth in the charter, which is set forth in your biography, General. And I point that out because we may become involved in that discussion.

And, Secretary Aldridge, two years ago, I was probably less than kind to our friend, General Kadish. And I characterized the missile defense plan as “throwing everything against the wall and see what sticks.” And I hope that is not a characterization of what is proposed and what is planned now, when the primary purpose, as set forth in your biography, is to protect the troops.

Let me point out some things that I find encouraging. The agency has made a conscious effort to put more transparency into the budgeting in programs. And that has been done in good faith and cooperative spirit. I believe that Congress is now in a better position to exercise oversight with regard to the program.

And I also see that in testimony earlier this week, every one of you rejected the proposal for legislation that might have exempted

this program from operational test requirements. And we thank you for that.

We have waived far too many requirements already on the missile defense program. So I think that is a major step in the right direction. That is a large part of what we do—that is, oversight—and we thank you for your position on that.

So, Secretary Aldridge, Director Christie, my fellow Missourian, Secretary Crouch, we thank you. And, General, thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 1080.]

The CHAIRMAN. I thank my colleague.

And Secretary Aldridge, we are going to turn the floor over to you. I might just mention, before we do that, that you do have a duty to protect troops in theater and to protect folks in this country. And we have discovered that there is no law or Marquis of Queensbury rules that require our adversaries to shoot only slow missiles at our troops in theater and not use the same fast missiles that they might use against cities in the United States.

It is kind of analogous to this problem we now have of detecting chem-bio. We have a Homeland Security Department that is going to have to be in the business of detecting a biological substance in the air in this country.

We will have precisely the same problem of detection and rapid response to precisely the same substances that might be introduced to our troops who are in theaters around the world. And so, while we have two different locations to worry about, it appears that we have much the same problem and challenge in terms of an adversary's capability.

So while I want to acknowledge that there is a comma between those two missions that my colleague just talked about, in reality, we are going to have to protect troops and American citizens against slow, medium and fast-moving missiles.

And with that limited editorial, Mr. Secretary, the floor is yours.

STATEMENT OF HON. E.C. "PETE" ALDRIDGE, JR., UNDER SECRETARY OF DEFENSE FOR ACQUISITIONS, TECHNOLOGY AND LOGISTICS

Secretary ALDRIDGE. Thank you, Mr. Chairman. And good morning, everyone.

Mr. Chairman, Mr. Skelton, members of the committee, thank you for the opportunity to appear before you today to discuss the Fiscal Year 2004 Department of Defense Missile Defense Program and budget submission. I am pleased to provide you this update on the progress of the Missile Defense development program.

In the year that has transpired since I last addressed this committee, we have made some good progress in missile defense. The new management structure established by Secretary Rumsfeld in his memorandum of January 2, 2002 has been stood up. An effective and rigorous oversight structure, aided by the Missile Defense Support Group, is in place and providing valuable advice to me and to the Director of the Missile Defense Agency for the conduct of the program.

Processes within the Department have been modified to support the accelerated development and fielding of these new revolution-

ary capabilities. A national team of the best and brightest of the government and industry has been formed and is tackling the complex technical challenges of ballistic missile defense.

We have achieved a number of successes in the missile defense test program, which have added momentum to the development effort and bolstered our confidence that we will be able to meet the challenges that lie ahead. In addition, our overtures to allies and friends have generated an expanded desire for international participation in the missile defense program.

The focus of my testimony in March of last year was the management and oversight of the missile defense program. The committee was rightly concerned that the new management structure should provide for the proper oversight of the program by the Department, and that the Congress should have full insight into program activities.

I informed you of the formation of a Missile Defense Support Group—MDSG—consisting of key officials plus 2 advisors from 13 selected offices within the department, including the military services, for a total of 39 individuals who support decision making by the Senior Executive Council and to advise me and the Director of the Missile Defense Agency on the full range of issues associated with the missile defense program, including policy, operations, acquisition and resources.

In the span of 1 year, we have had 25 meetings of the MDSG, an average of 2 meetings each month, of a group of some of the most knowledgeable and experienced individuals in the Department. No program in the Department receives more scrutiny, either in level of rigor or frequency of study, than the missile defense program.

The MDSG has provided me and General Kadish strong support in numerous key areas of the missile defense program. The MDSG has helped me develop the strategies for the deployment of an initial capability and the follow-on deployment of expanded capabilities in block configurations.

It has also been valuable for the transition of developed capabilities to the services for fielding and operation. In October of last year, I decided that the time was right to transfer the Patriot Advanced Capability-3 (PAC-3) system to the Army. The advice of the MDSG for making the handover to the Army supported the Defense Acquisition Board process and aided my decision to make the transfer.

The MDSG has also helped the Missile Defense Development Program by speeding a number of routine Department processes, including review of the annual budget and continuing evaluation of each part of the missile defense program against its cost and schedule goals.

I can confidently assure the Congress that oversight has actually improved under the new management structure with the continual engagement of the Missile Defense Support Group.

As you are aware, on December 19, 2002, President Bush made the decision to deploy a limited missile defense capability beginning in 2004. The nature of the expanding ballistic missile threat and the declared hostile intent of our adversaries compel us to put capabilities in the hands of our fighting men and women as soon

as they become available, even if the state of development is less than what we would ultimately hope to deliver.

Putting an effective capability into the hands of our fighting force is a dramatically safer move for our troops, our nation, our allies and our friends than delaying their fielding for five years or more as we strive for a final, objective level of performance. This is the strategy directed by Secretary Rumsfeld in his January 2, 2002 memorandum on the missile defense program and the philosophy by which our efforts are being guided.

Concerns have been raised by some that this might result in the fielding of systems that are unproven and unsuitable for battlefield conditions, or that the Department is seeking a waiver of statutory requirements governing operational testing. The source of this last misapprehension originated in our attempt to fund the Missile Defense Agency entirely out of research, development, testing and evaluation—RDT&E—accounts.

With regard to testing waivers, the unintended consequence of the requested language appeared to be a distinction, but not a difference. Regrettable though this is, no such waiver of testing requirements has been requested. And we still hope to secure our initial goal of funding MDA—the Missile Defense Agency—through RDT&E funding lines.

We have every confidence that the compromise language can be agreed to that honors our original intent, while avoiding the misperception of a waiver of request. We plan to work with the congressional defense committees to pursue this important goal.

The revolutionary nature of missile defense and the threat posed by ballistic missiles have prompted us to take steps to ensure that deployed systems meet effectiveness and suitability goals through rigorous testing throughout development. The Department involves the operational test community well in advance of a deployment decision so that we can gain a better understanding of these issues as capabilities are being developed.

The Director of Operational Test and Evaluation (OT&E) is directly involved in the review and assessment of all missile defense testing activities. He will provide his operational assessment report to Congress each year and provide the Department an operational assessment of the suitability and effectiveness of the ballistic missile defense system at each block decision point.

The Director of OT&E also participates as a member of the Missile Defense Support Group, which has examined the developmental test program on several occasions during its first year of work. The Department is committed to ensuring that fielded missile defense capabilities are sufficient for defending against the threat. I am confident that the level of oversight being provided to the test activities will accomplish this goal.

An important element of our missile defense program is the planned ability to extend ballistic missile defenses to include our friends and allies. Recent revelations about North Korea's ability to reach the United States, compounded by that nation's recent behavior, have validated the concerns of Japan and other Western Pacific nations regarding the threat of ballistic missile attack. These concerns are rightly shared by Europe, as well.

The ongoing proliferation of weapons and missile technology to nations such as Iran poses a more immediate threat to the European continent than to North America. This has sparked a growing desire among several of our allies to participate in the missile defense program.

We have recently conducted discussions with the United Kingdom (U.K.), Japan and Denmark toward expanded missile defense participation, with some positive outcomes already agreed to. We are also in continuing dialogue with other allies. The effectiveness of any global ballistic missile defense system will be enhanced by international participation.

Mr. Chairman, since this is my first opportunity to testify before the House Armed Services Committee since the passage of the National Defense Authorization Act for 2003, I would like to take this opportunity to thank its members for their invaluable contributions to such elements of this legislation as "Buy-to-Budget." This provision will help us optimize the use of taxpayer funds as we seek to provide the best possible equipment and weaponry to the warfighter.

We are also grateful for the removal of certain superfluous and resource-consuming reporting requirements. The continued cooperation between the Department of Defense and the Congress will only grow in importance as we execute our mission to provide for the national security of the United States. I look forward to that continuing cooperation.

Thank you for this opportunity to testify before the committee. And I would be happy to answer any questions you may have.

[The prepared statement of Secretary Aldridge can be found in the Appendix on page 1083.]

The CHAIRMAN. Mr. Secretary, thank you for your service to our country.

Mr. Crouch.

STATEMENT OF HON. J.D. CROUCH II, ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY POLICY

Secretary CROUCH. Thank you, Mr. Chairman, Congressman Skelton, members of the committee. It is an honor to be able to come before your committee to provide details about our missile defense policy and the direction of our missile defense program, in light of the President's recent decision to begin initial fielding of missile defense capabilities in the 2004-2005 timeframe. This committee has played a crucial role in bringing our missile defense program to this point. And I want to thank you for the support this committee has shown over the years.

Mr. Chairman, we and our allies face serious and unpredictable threats to our homelands and military forces from the proliferation of ballistic missiles armed with weapons of mass destruction. Ballistic missiles have proliferated on a global basis and are in the hands of over two dozen states, many of which have chemical, biological or nuclear programs underway.

North Korea, for example, has had an active ballistic missile program for years, and has developed a wide-range of offensive missiles. It has deployed and exported missiles that can threaten our allies, forces, friends and even the United States.

North Korea has developed the Taepo Dong II long-range missile, which is capable of reaching parts of the United States and could be flight-tested at any time. Iran and other countries are working on space-launch vehicles and intercontinental-range missiles that could be ready for testing in the next few years.

We are moving forward with missile defense to help protect American territory and forces abroad and our allies and friends against the use of missiles and weapons of mass destruction by unpredictable and, in some cases, irresponsible states. In addition, some countries seek missiles and weapons of mass destruction to coerce us simply by threatening their use. Missile defenses will help to reduce our potential vulnerability to such coercive threats.

Finally, missile defense can help to reduce the proliferation of ballistic missiles by reducing their value, thereby reducing the demand for them. In this way, we believe missile defenses will provide a useful complement to our other non-proliferation efforts.

In light of this new security environment and the considerable progress made to date in missile defense technology, the President directed the Department of Defense to proceed with fielding initial missile defense capabilities in 2004 and 2005. As the President has noted, because ballistic missile threats also endanger our friends and allies around the world, it is essential that we work together cooperatively to defend against them.

To do so, the Department of Defense is developing and deploying missile defenses capable of protecting not only the United States and our deployed forces, but also friends and allies. And we have structured our missile defense program in a manner that encourages participation by other nations.

The Department has been pursuing a broad-based research, development and testing program to examine the full range of capabilities to intercept ballistic missiles of all ranges and in all phases of flight. As we field the missile defenses called for by the President, our development and testing program will continue to improve our defensive systems over time.

Under this evolutionary approach, we do not envision a final or fixed missile defense architecture. Rather, the composition of missile defenses, including the type, number and location of components, will change over time to meet the changing threat and to take advantage of technological opportunities. This approach facilitates the timely delivery of an initially modest, but still useful, defensive capability that can be improved as technology advances and provide us with some real operational experience.

As you outlined in your statement, Mr. Chairman, the capabilities called for by the President for 2004-2005 include 20 ground-based interceptors against the intercontinental-range ballistic missile threat; 16 located at Ft. Greely, Alaska and 4 at Vandenberg Air Force Base. These ground-based interceptors will be available on a continuous basis to intercept long-range missiles during their midcourse phase of flight.

The ballistic missile defense system supporting the ground-based interceptors (GBI) will include an initial set of integrated sensors based on land and at sea and cued by early warning sensors in space.

We have also made requests to the United Kingdom and the Kingdom of Denmark to upgrade early warning radars on their territory to track ballistic missile threats from the Middle East. The United Kingdom has already granted permission. And we look forward to hearing from Denmark later this year on the subject.

To address the medium-range threat, we plan to equip 3 existing Aegis-class ships with up to 20 Standard Missile-3 interceptors. This will provide a highly mobile missile defense capability to protect U.S. forces and allies and provide some limited protection for the United States homeland against shorter-range missiles that could be launched from ships off our coasts.

Finally, with respect to the short-range threat, we will continue to field additional air-transportable and mobile Patriot PAC-3 units and radars. These initial capabilities may be improved later in the decade through additional measures that will lead, ultimately, to a multi-layered missile defense capability.

Fielding a layered missile defense system poses new operational command and control challenges. A key presidential document used to organize U.S. forces, the Unified Command Plan (UCP) 2002, assigns the United States Strategic Command—STRATCOM—responsibility for planning, integrating, coordinating and developing the desired characteristics for sea, land, air and space-based missile defense operations. UCP 2002 addresses the missile defense command and control issue through the use of centralized planning with decentralized execution.

Therefore, while STRATCOM will be given the responsibility for planning, integrating and coordinating global missile defense operations, Northern Command and other regional combatant commands will retain responsibility for defending their geographic areas of responsibility, including command and control over systems providing defense against ballistic missile attacks.

As the President also stated, it is essential that we work together with allies and friends to defend against ballistic missile threats. Accordingly, the Department is developing and deploying missile defenses that can do that. And we are also cooperating with our allies in this area.

There are a number of examples of U.S. missile defense cooperation with allies and friends around the world. For example, the United States has been working with Israel since the late 1980s to develop the Arrow defense system, which is now standing guard in the Middle East. We are also working cooperatively with the United Kingdom, Japan, Italy and Germany, and have an ongoing dialogue with India on missile defense issues.

The United States continues actively to engage the Russian Federation in the area of missile defense cooperation. The Joint Declaration, signed by Presidents Bush and Putin last May, called for missile defense cooperation and reflects the new relationship between our two countries.

To fulfill our commitment, to strengthen confidence, increase transparency and study areas for missile defense cooperation, a U.S.-Russian Missile Defense Working Group has been established under the auspices of the ministers of defense and secretaries of state of both countries.

In this venue, the U.S. has already proposed to begin voluntary and reciprocal information exchanges and visits, has made proposals for potential new cooperation and has also encouraged Russian interaction with U.S. companies working in the missile defense field.

In conclusion, Mr. Chairman, missile defenses are an essential element of our overall national security policy to transform U.S. defense capabilities to meet the requirements of a dynamic international security environment. As we move forward to field the missile defenses called for by the President, we will do so in cooperation with our allies and friends and, of course, with the Congress.

Our initial missile defense capabilities will be modest; but the evolutionary approach we are pursuing will support continued research, development and testing to improve our capabilities as budgets and technology allow, and as developments in the threat necessitate.

Thank you, Mr. Chairman.

[The prepared statement of Secretary Crouch can be found in the Appendix on page 1087.]

The CHAIRMAN. Thank you, Mr. Crouch.

And General Kadish, thank you for being with us this morning and for your service to our country. And I might mention at this point in our hearing, or opening statements, that the chairman of the Strategic Subcommittee, Mr. Everett, recommended that we make this a full committee hearing this morning because of the Member interest and because of the importance of this very critical area. And I just want to compliment my friend and thank him for doing that.

General Kadish, we thank you for all the work and service that you do. We have been through lots of hurdles and wickets here over the last couple of years. You have some pretty bright spots in recent testing. And we appreciate you.

And the floor is yours. And incidentally, without objection, all written statements will be taken into the record. So feel free to summarize. Although I think a lot of the detail that we are hearing this morning is important.

General Kadish.

STATEMENT OF LT. GEN. RONALD T. KADISH, USAF, DIRECTOR, MISSILE DEFENSE AGENCY

General KADISH. Thank you, Mr. Chairman and members of the committee. I will just highlight some of the major areas I would like to emphasize this morning about our missile defense program and talk a little bit about the progress you just mentioned that we have made in the past few years.

In early 2001, we started restructuring the missile defense program to develop capabilities to defend the United States, our deployed forces and our allies and friends against all ranges of missiles and all phases of flight. With the support of Congress and, in particular, this committee, we have made considerable progress in demonstrating key missile defense technologies and systems integration. Our testing and analysis give us the confidence that the "hit-to-kill" technology works and that we can take the initial steps

we are proposing to provide modest initial defensive capability where none exists today.

Altogether, we have made great progress in our missile defense program. Our testing has been aggressive and productive. Over the past two years, we have achieved four for five successful ground-based intercepts of long-range targets and we are three for three in our sea-based intercepts of medium-range targets. We are five for seven with the Patriot Advanced Capability-3, or PAC-3, interceptor. And we are making steady progress with the airborne laser to develop revolutionary speed-of-light technologies to attack in the boost phase.

We have had failures in this process. And in all probability, we will continue to have failures. But this scorecard has increased our confidence in our basic technical approach.

Last December, the President directed the Department of Defense to field an initial set of missile defense capabilities in view of our technical progress and our total lack of missile defenses against intermediate and long-range ballistic missiles. Given our fielding approach using the test bed we have been working on for the past two years and given our testing successes in analysis to date, I believe we are ready for this.

With the President's decision, we now have a basic, near-term architecture for a limited system to address a range of missile threats. I want to stress that we have no fixed long-term architecture yet. We will evolve and improve this capability of the Block 04 system over time, so that what we propose to field initially in 2004 and 2005 may evolve to look very different a decade later.

The number and type of missile defense assets and their locations and basing arrangements may be expected to change and make the system more integrated and capable. This is consistent with the approach I have described in previous hearings. We are building and fielding limited military useful capabilities as soon as they can be made available. We have said all along that when we do field, we will not field a system that will fully meet our missile defense needs.

We will have constraints and some limitations and gaps, let there be no allusions there. The system we will be fielding initially will have some restraints operationally.

But we went down this road knowing that there would be restraints of some sort on the system and with a process that is specifically designed to make up for those assumed as practicable. With an evolutionary capability-based acquisition approach, we can put capability into the field; we can test it; we can use it; we can get comfortable with it; we can learn what works well and what does not work well and improve it as soon as we can.

Before the President's decision, the fiscal year 2004 President's budget would have reflected the development of a set of test bed capabilities that could have been made operational. Today, we are asking Congress to authorize funds that will allow us to add to this test bed and make it operational in 2004 and 2005.

In other words, instead of building a test bed that might be used operationally, we are fielding an initial defensive capability that we will continue to test in a test bed mode. Because of this relationship between initial defense capability and testing, we are asking

that all funding associated with both efforts be under the defense-wide appropriation RDT&E.

Now with respect to the issues of operational testing before deployment, I would argue that we are faced today with a timing issue. This is a unique, unprecedented technology in its early stages of maturity. We have to strike a balance between our desire for perfection in the missile defenses we deploy today and our desire to have, as soon as possible, some defensive capability where none exists today. Or can we do both at the same time?

Can we continue to test the elements and components of the systems we also use to defend ourselves? I believe we can.

Now why do I believe that? Because we have shown the nuts and bolts of the missile defense capabilities we are planning to field in Block 2004 can work. Over the past two years, we have conducted a total of 55 flight tests and 60 ground tests. Seventeen of these tests were flight intercept tests.

Each test, whether a success or failure, builds our confidence in the process. And because of that, we know that our "hit-to-kill" technology works.

We have had a significant degree of repeatability represented in these tests conducted to date. And we are well along in our goal of demonstrating reliability.

We have formed a relationship with the Operational Test Agency and Mr. Christie's staff in particular. And we are working towards common objectives in operational tests. Regardless of the names we apply to testing, we must have assets and infrastructure in the field if we are going to begin to test the system under operationally realistic conditions.

If we do not have the weapons and sensors fielded at operationally useful locations, we can not really do a good job of hooking it all up to make sure it works. This program and this budget proposes to do just that. Our intentions are to test the complete system as soon as possible.

Over the next 2 years, we are planning another 68 flight tests, 58 ground tests and about the same number of intercept tests as before. We have done the testing to have confidence to proceed. And we want to continue to strike the right balance.

The elements of the test bed will also have some inherent capability. We can do operational testing while having the system on alert. We should take advantage of that.

I believe, Mr. Chairman, that we are ready to take the next step in missile defense for another reason. Our test bed evolutionary approach to a missile defensive capability is rational from a cost standpoint as well. We do not now have adequate understanding to submit a budget for many tens of billions of dollars for a huge, long-term, fixed architecture. And we do not need to submit such a budget to achieve our goal.

We are able, however, to purchase and field capabilities in small numbers. This approach will allow us to control costs. With an increase of \$1.5 billion over two years, we could provide this country with a modest defensive capability where none exists today.

Mr. Chairman, America's missile defense program is on track. The Missile Defense Agency is doing what we told the Congress we

would do. And your support has been important to the progress we have made. And I very much appreciate that.

We have listened to your concerns and have sought to address them in a responsible manner. Our tests and our analysis give us confidence that we can take the first step toward an initial defensive operational capability, while we continue to prove out our technologies and demonstrate missile defense combat utility through realistic testing.

I believe there is tremendous benefit in putting this unprecedented technology into the field in manageable increments to provide some defense, to learn more about it, gain experience with it and, more importantly, improve it over time.

Thank you, Mr. Chairman. I will stop there and allow more time for questions.

[The prepared statement of General Kadish can be found in the Appendix on page 1102.]

The CHAIRMAN. General, thank you very much.

Mr. Christie.

STATEMENT OF HON. THOMAS P. CHRISTIE, DIRECTOR, OPERATIONAL TEST AND EVALUATION, DEPARTMENT OF DEFENSE

Mr. CHRISTIE. Thank you, Mr. Chairman and Congressman Skelton and other members of this committee. I also appreciate this opportunity to come before you this morning and to discuss operational test issues involved with building a missile defense test bed that will also have some limited, inherent defensive capability.

Let me emphasize up front that I strongly support building this test bed as a means of conducting more realistic ballistic missile defense testing. It will provide us with an excellent capability to test the integrated ballistic missile defense system against more challenging targets and under more realistic flight conditions.

Designed to accomplish this testing mission, this test bed will also have some limited capability to defend against an actual threat in a real attack, depending, of course, on certain assumptions about intelligence of an imminent attack and the positioning of sensors to acquire, track and target the threat.

Regardless of what we call this initial collection of equipment, communications, and personnel, the fact remains that we must build this test capability and put it in the field before we can test the system. It is also prudent to develop operational concepts and to train personnel in concert with this test bed's development, so that whatever inherent capability exists in the testing infrastructure can be employed to defend the United States in the event of a ballistic missile attack.

I understand and share the concerns raised by members of Congress with the precedent of fielding operational systems without adequate operational testing. Let me take a moment here to discuss my assessment of this situation.

The Missile Defense Agency, under General Kadish, is proceeding with a design and development strategy that is extremely proactive when it comes to testing. My staff and I—as he said—are involved on a daily basis with him and his staff and the program managers for the ballistic missile defense system elements. We are

reviewing test plans, participating in planning meetings, witnessing tests and providing advice to General Kadish and responding in written reports to Congress on the adequacy of the testing programs.

I have access to all the information I need to fulfill these responsibilities. I have completed my assessment of the PAC-3 initial operational test and evaluation results, which is documented in a classified beyond low rate initial production report that I provided to Congress last November. I have also completed and submitted to the appropriate committees of the Congress my annual assessment of the Missile Defense Agency testing programs, as required by House report 107-333.

In that report, I conclude that the ground-based midcourse defense element of the ballistic missile defense system, as of today, has not yet demonstrated operational capability. This conclusion is based on the fact that many essential components of the ground-based midcourse defense have not yet been built. We cannot test the system without these critical components. And we cannot test it realistically without the test bed.

This was illustrated recently, when the exoatmospheric kill vehicle failed to separate from the booster in Integrated Flight Test-10. The Missile Defense Agency subsequently restructured the flight test program, eliminating further testing with the old booster system. This decision took into consideration the poor performance of the legacy booster system and the risks of diverting booster developers from the objective booster design effort, compared with the advantages of gathering additional data from those flight tests.

Beginning later this fiscal year and prior to the 2004 decision, testing will resume with a test flight for each of the candidate boosters and a risk reduction flight for a target launched from Kodiak. Intercept testing will continue in integrated flight tests (IFT)-14 and 15, flown with the new boosters. This is followed by integration ground testing of the test bed and a system test readiness review.

Current plans also call for three more intercept flights for the Aegis ballistic missile defense prior to the end of fiscal year 2004, with the last flight conducted against a separating threat. Additional flight testing beyond this point is still being planned. The purpose of the test bed is to establish a baseline capability, to realistically integrate and test the components of the system and to enhance capability incrementally, through block development.

The real challenge is to develop an operational concept for using the test bed that integrates the components of the ballistic missile defense system as they become available, in order to evaluate the operational capability of the system and to defend against a ballistic missile attack if so needed. If we do not develop an operational concept and an attack does come, then we have failed in a most serious way.

On the other hand, if an effort to refine an operational concept for an interim system significantly distracts us from building the objective system in an expeditious fashion, then we risk similar failure against more sophisticated threats down the road.

While the test bed is a research and development system, this does not preclude us from addressing operational test and evalua-

tion issues. In fact, it is common for systems in development to combine developmental and operational test objectives.

The test bed, including missiles, will provide us an early opportunity to acquire valuable ground test data on intra- and interoperability between the command and control center and the silo/missile complex; on the system and missile health and status or built-in testing capability; and on system safety, reliability, maintainability and logistics supportability.

Availability of this data will permit lessons learned from the test bed to be considered in improving the objective ground-based mid-course defense system. Every major ground-based midcourse defense (GMD) ground and flight test, both prior to and after the 2004 test bed is available, formally addresses both DT—development testing—and OT—operational testing—objectives consistent with the maturity level of the system.

The service Operational Test Agency personnel dedicated to planning the details of the operational test portions of the ground and flight tests and for analyzing and reporting relevant operational test data are in place. My staff is working with these operational test agencies to define independent evaluation plans for these test activities.

I will review and approve these operational test and evaluation plans and their associated data requirements. I will use both developmental and operational test data as the basis for my operational assessments, for advising General Kadish and Mr. Aldridge, and as the basis for my annual assessment to the Congress.

Mr. Chairman, ladies and gentlemen, my staff has worked diligently with General Kadish and his staff to build what I feel is a very effective relationship. I will continue to work closely with him to ensure that the mission of the test bed, as a test bed, is kept in perspective.

We have discussed taking advantage of the data gathering opportunities that this test bed will provide. And I am working with the service operational test agencies to identify these data requirements for an operational evaluation plan that I will review and approve.

I will continue to monitor planning and testing activities to ensure that we test as realistically and thoroughly as we can, to advise the Director of the Missile Defense Agency of operational testing concerns, and report my assessments of progress to the Secretary and to you.

Thank you, Mr. Chairman. Ready for questions.

[The prepared statement of Mr. Christie can be found in the Appendix on page 1139.]

The CHAIRMAN. Thank you very much for your statement. And let me just ask you: You listened to General Kadish's outline of his proposed action. Is there any part of that proposed program that you would advise against or disagree with?

Mr. CHRISTIE. Absolutely not.

The CHAIRMAN. So you are—

Mr. CHRISTIE. Fully in sync with the plans that are on the table at this time.

The CHAIRMAN. And let me further ask you: As I understand it, part of your reasoning is partly founded on the fact that we have

to build this test bed to get the—to be able to proceed with the program in a reliable way. You have to build the test bed.

Mr. CHRISTIE. That is right.

The CHAIRMAN. And that test bed, at the same time, will house the missiles which will give us this initial capability. And so the reasoning is that you cannot shoot down something with nothing. Right now we have nothing. We will have something when we have the test bed in place. And as long as it does not prejudice the development of this system, there is nothing to lose by having at least some capability against the prospect of incoming ballistic missiles.

And for the critics of this program, I would simply ask you: If we build nothing, in terms of operational capability, what are the chances of a ballistic missile that enters our airspace striking its target unimpeded?

Mr. CHRISTIE. Well, obviously, as you stated, we have no capability today. And with respect to the test bed——

The CHAIRMAN. So it is 100 percent?

Mr. CHRISTIE. I would say so. The long-range intercontinental ballistic missile (ICBM) threat, that is true. But as far as the test bed is concerned, I would like to point out that my office, in previous years, has criticized the test programs of the Missile Defense Agency in the context of needing more realism and has raised issues with respect to doing more realistic testing.

This test bed, in essence, responds to those criticisms. And we will have to have this test bed to do the more realistic testing that I think the system will demand.

The CHAIRMAN. So you are saying that the shot that we have been taking, time and again, where the target missile proceeds over Hawaii and the Kwajalein interceptor comes up and hits that pheasant at the same time, at the same point in its flight every time, is something we have gotten down, but that we need to have different angles, different speeds, more complex problems to solve. And this test bed affords us those problems.

Mr. CHRISTIE. That is right.

Secretary ALDRIDGE. Mr. Chairman, can I just add on to that, if you do not mind? We have designed the missile defense program against short, medium, long-range to be able to intercept in the terminal, midcourse and boost phase. We need a variety of angles and directions in order to test out that complex system of systems. And this test bed is that mechanism that allows us to do that.

The CHAIRMAN. Thank you, Mr. Aldridge.

Mr. Skelton.

Mr. SKELTON. Mr. Chairman, Mr. Christie answered my primary question. And in light of that, I will save and reserve the rest of my questions until later. So I will pass at this time.

The CHAIRMAN. I thank the gentleman.

The gentleman who has been a leading proponent of the development of the systems that we are working on today, Mr. Weldon.

Mr. WELDON. I thank you, Mr. Chairman. And let me thank all of you for coming in. And let me say, General Kadish, the confidence that you enjoy on the Hill is one of the reasons why we are where we are today, along with the leadership of the gentlemen sitting to your right and your left. But I appreciate and applaud you

for your credible leadership, always being upfront and candid with us.

For the newer members of the committee, this is an important hearing because for those of you on this committee less than six years, we need to understand where we were back in 1995. Let me refresh the memories of those who were here then and those who were not here.

We had a President of the United States veto our defense bill in 1995 because we put language in—Democrats and Republicans, House and Senate members—that called for the creation of a missile defense system because the threat was real. The veto by the President was based on the National Intelligence Estimate 95-19 that basically said there would be no threat to the U.S. for at least 15 years. Fifteen years.

It was this committee who challenged that assessment. It was this committee who said to the White House, "The Central Intelligence Agency (CIA) is wrong." In fact, that CIA intelligence estimate was leaked out to two members on the Senate side that were arguing in favor of the President's veto.

We held tight. And that led to the General Accounting Office (GAO) study that said, for the first time ever, the National Intelligence Estimate was politicized. And that led to the Rumsfeld Commission.

The Rumsfeld Commission, in 1996, led to a reversal of the CIA estimate, which led to where we are today—8 years after 1995; not 15 years, 8 years after. In fact, we knew it in 1998 when the North Koreans launched the Taepo-Dong, one variant over Japan's territory, with a three-stage rocket the CIA did not know they have.

We now know that they have a capability to hit the western part of the U.S. with a light payload. If we would have listened to the President in 1995, if we would have listened to the CIA in 1995, we would not be here today to talk about the fact that we have a test bed to give us—what I am going to ask you to confirm, Secretary Aldridge—a 90 percent probability of hitting a North Korean long-range missile coming over toward our border.

So the importance of this committee is that we do our homework. It does not matter what the White House says. It does not matter what the CIA says. That we maintain the integrity of our work, because our work is the people's work on behalf of our national security.

And today, this committee can celebrate that victory, a victory that allows us now to provide a defense, also a victory that I take great pride in listening to the liberals in this city talk about what happened when the ABM Treaty went away.

And my second question is going to be to General Kadish to verify whether or not the Russians, through the Khrushchev Space Institute, have actually signed a memorandum with Lockheed Martin to do research, which the Russians told me themselves could not have been done under the ABM Treaty.

Do you concur with that, General Kadish?

General KADISH. To the best of my knowledge, they have signed a memorandum, yes.

Mr. WELDON. So here were the Russians, so we were told, were going to launch a new effort in escalating a Cold War. When the

ABM Treaty went away, what did they do? They yawned and they signed agreements with Lockheed Martin to do research they could not do under the ABM Treaty.

Thank goodness this committee took its job seriously in the 1990s. And thank goodness this committee held tough, because today we can celebrate the work of these gentlemen in giving us an initial capability.

And my third question has to do with the Patriot System, which one of the professors from the Massachusetts Institute of Technology (MIT) has made a career over criticizing because he said Patriot did not work in 1991. Isn't it true, gentlemen, that the Patriot was not designed to shoot down missiles, initially?

Is that correct, Secretary Aldridge?

Secretary ALDRIDGE. Yes, sir. That is correct.

Mr. WELDON. So when this professor from MIT came out with his illustrious conclusion that Patriot did not do its job in 1991, it is because the Patriot was not designed to shoot down missiles in 1991. It was designed to shoot down airplanes.

Now if you listen to the news reports today—and early reports oftentimes are wrong—but if you listen to the news reports, our PAC-3 systems are alleged to have taken down some missiles. Now PAC-3 is designed to shoot down missiles. Unlike the Patriot original system, PAC-3 is giving us a capability that we did not have when 28 young soldiers came home in body bags in Dahran because we could not protect them when they were attacked by a Scud missile.

If in fact—either Secretary Crouch or Secretary Aldridge—if in fact those early reports are true and there was a Scud missile that was taken out by a PAC-3 last night or this morning, wasn't a Scud missile the very missile that Saddam Hussein claimed he no longer had?

Secretary CROUCH. It is true that the Iraqi regime has claimed they possess no Scud missiles. At this point, we have not been able to get clear information on what type of missile it was.

Mr. WELDON. But if it was a Scud missile, on the first day, have we not proven that Iraq lied again, with physical evidence, if it was a Scud missile?

Secretary CROUCH. I would say, if it was a Scud missile, that would be further proof that Iraq has been lying.

Mr. WELDON. How about if it was an Al-Samoud missile, which it also might be, according to early indications. Would that also not indicate it was a missile that was beyond what Iraq was allowed to have?

Secretary CROUCH. If the range of that missile was beyond the 150 kilometer range circumscribed by the U.N. Security Council resolution, yes, it would be.

Mr. WELDON. So I would just say to my colleagues that you never underestimate the importance of your work on this committee. Working together with our colleagues on the other side, our job is to make sure that, in our defense decisions, we are checking not just the work of our own actions, but the work of the Administration, regardless of which party controls the White House, and the work of the central intelligence agencies and those organizations

that provide us information. We should never automatically accept the conclusions that they provide to us.

One further question: Our Tactical High Energy Laser (THEL) program—I did not hear you describe our success on THEL. Maybe I missed that portion of discussion.

The Theater High Energy Laser program that we did early work with, with the Israelis, I think it is now called Mobile Tactical High energy Laser (MTHEL), the mobile version. How far along are we with that? And how much promise does MTHEL offer us?

General KADISH. Mr. Weldon, that program is not under the MDA umbrella. I can only give you basic knowledge of it, given my association with it from afar. But as far as I know, that program is proceeding and is, in fact, one of the first demonstrations ever of a consistent, reliable use of a laser to shoot down missiles, if you will, but very short-range, Katyusha-type missiles.

So we would have to get that answer to you for the record.

Mr. WELDON. That is fine.

Secretary Aldridge, you have been involved in missile defense activities for how long? How many years?

Secretary ALDRIDGE. Forty-two years.

Mr. WELDON. Forty-two years. You have done an excellent job of being a very tough meter in the Pentagon. Sometimes I disagree with you. But in the end, I think you have proven that you were right.

Secretary ALDRIDGE. Not often we disagree.

Mr. WELDON. You have proven us right in your toughness of verifying the financial integrity of systems and the operational integrity of systems. You were quoted, in the hearing on the Senate side, in your professional opinion, as to the ability to provide a 90 percent effective rate to take down an incoming missile.

Is that, in fact, your belief based on 42 years of experience? And would you elaborate on that a little further? Because we had some doubters on the Senate and I want you to have a chance to expand upon your statement as a professional in this area.

Secretary ALDRIDGE. Thank you, sir. I have been working in missile defense. I started off working the program called Nike Zeus, then Spartan, then Sprint. And then there were the high-technology programs of High-g Boost Experiment (HIBEX) and Upper Stage Acceleration and Guidance Experiment (UPSTAGE). I was involved with the—actually working in the Department of Defense and wrote the paper in which President Johnson made the decision to deploy the Sentinel program, to be changed by President Nixon to the Safeguard.

And also, I was involved with actually writing some of the language in the ABM Treaty, which I live to regret, in some cases. But I was asked to comment on a particular scenario, of which a North Korea would launch a missile—a single missile—into San Francisco. And given the fact that we would have a deployment system in the 2004-2005 timeframe with 20 interceptor missiles, what would I advise the President as to how effective that missile defense would have been against that single attack?

And based upon my judgment, I would say, given the fact that we could launch one or two or three missiles at that target, the effectiveness would be in the 90 percent range. I would hope it would

be in the 100 percent range. But given probabilities, in the 90 percent range.

And under that scenario, I continue to this day to stand by that assessment. Now, if the scenario would have been 20 missiles launched at San Francisco or Los Angeles or the United States and with us having only 20 interceptors, that probability of effectiveness would obviously be substantially reduced.

But in the scenario which I describe, I would stand by to this day that it would be in the 90 percent range because we could, in fact, launch multiple interceptors at a single target.

Mr. WELDON. So there is no doubt in your mind that that capability is now at hand if we follow through on our program, as outlined by you here today, to give America the defense that we have not had against an incoming ICBM, which the CIA now publicly says is in the hands of the North Korean government?

Secretary ALDRIDGE. I will continue to stand by that. I have seen the test results. If you look at some of the movies that General Kadish has shown of some of the intercepts, you would have a very high confidence that the hit-to-kill technology works.

Once we get the test bed and continue to explore and test the system and work with it in its operational mode periodically, I think the confidence level will continue to build. That is why we are building the test bed, is to build that confidence and hopefully, to the point we never have to use the capability at all. Because it will be effective, it will deter actions against this country.

Mr. WELDON. Thank you.

The CHAIRMAN. I thank the gentleman. I just had one follow-on question, that is that the senator who asked you that question received an answer that you had a 90 percent capability if we build this initial operating capability.

Secretary ALDRIDGE. That is correct. If we build it and test it in the period in which we were talking about, yes.

The CHAIRMAN. But if we do not build it, we will have a zero percent chance.

Secretary ALDRIDGE. Zero percent, yes, sir.

The CHAIRMAN. Did he mention whether he liked 90 better or zero better? [Laughter.]

Was there a response?

Secretary ALDRIDGE. No, sir. It was not.

The CHAIRMAN. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman. And gentlemen, welcome and thank you for your service. I have, as representing the home of the Patriot battalions—and I appreciate my colleague and friend, Chairman Weldon, taking note that they apparently have been successful initially over Kuwait.

I have a question that deals with the upgrading of the ten active battalions because today, it is my understanding that every Patriot battalion is forward-deployed and that all our combat commanders have requested the PAC-3 versus the PAC-2 as much more effective, as we have seen this morning.

But it is my understanding also that you are only planning to upgrade eight of the ten battalions. And my question is: Are we unnecessarily placing our soldiers at risk by not upgrading all ten Patriot battalions?

Secretary ALDRIDGE. Sir, I am not familiar exactly the precise number we plan to upgrade. The problem we have with PAC-3 is building the production rate at this near term. We got congressional approval just recently in the fiscal year 2003 Omnibus Bill to add \$104 million to begin building the production rate for the Patriot because we really do not have that many at this point in time.

But I just cannot answer about the number eight out of ten. I do not recall the exact number.

Mr. REYES. Can you take that for the record?

Secretary ALDRIDGE. Yes, I will. I will take it for the record. Yes, sir. Delighted to.

Mr. REYES. Because in the past, when I have expressed concerns, the answers that I have gotten is that ultimately they will be replaced by the Medium Extended Air Defense System (MEADS). But the concern I have is today, MEADS has slipped so far to the future. I think currently, it is fiscal year 2012 that MEADS has slipped to.

I know that we can upgrade, if in fact our information is correct, I know that we can upgrade the two remaining Patriot battalions a heck of a lot faster than fiscal year 2012.

Secretary ALDRIDGE. Mr. Reyes, we will take that for the record. I am strongly supporting the continued development of MEADS. As you know, that is another international program that provides both missile and cruise missile defense. We have partners with Germany and Italy. And I have been talking with my counterparts in both of those countries to ensure that that continues to have their strong support.

Because it is a good replacement eventually for the Patriot because of its mobility and capability against the wider variety of threats, that we ultimately see that as a good replacement. Using the PAC-3 missile, of course, is part of that plan.

Mr. REYES. And in keeping with the strategy to have as many systems out there as we can to protect our warfighters, Theater High Altitude Area Defense (THAAD) is also a system. In fact, THAAD would take the place of several Patriot battalions and provide the same—if not more—effective coverage for our forward-deployed warfighters.

But that is also a program that has slipped. And I guess my question about THAAD is: If you had more money, would you be able to accelerate the deployment of THAAD? Because currently, in looking at the budget, it looks like there is only one THAAD test scheduled per year.

And given today's environment, especially again at the doorstep of yet another war where it jeopardizes our forward-deployed warfighters, it seems to me that additional money for THAAD makes sense to provide the kind of coverage that everybody is talking about, in terms of incoming missiles against our warfighters.

Secretary ALDRIDGE. Ron, you go on.

General KADISH. Congressman Reyes, in regard to THAAD, as you know, we have redesigned the missile and a large part of those components. And the first test is scheduled for late 2004 timeframe. We have a balanced program now, in terms of the money

we have allocated in the out years. And we are looking for ways of making sure we do more testing than already planned.

But I think right now, our plan is to have up to three to four tests per year in the program. So I would have to get back with you about the details of that, in terms of the specifics of the test program. But we are looking at many ways of increasing the testing of that system.

In regard to accelerating the deployment of that type of system, I think it should be consistent with what we have done with the other elements of the ballistic missile defense system (BMDS) and have the first test before we decide what it is we want to do with that system in terms of its capability. So we are going to need to wait for that 2004 timeframe. But we have contingency plans that we could put forth for the Department to make decisions on as soon as we get confidence in that system.

Mr. REYES. Will you be changing the strategy? Because I am being told that through 2004 through 2009, there is no money requested in either the Army or MDA budget for procuring any THAAD.

General KADISH. That is correct. In our budget, we deal only with the research and development dollars. And just as we have proposed increasing the quantity of missiles in the test bed that we described earlier and added \$1.5 billion over two years to do that, that will be a decision for the Department to make in regard to THAAD once we have more data on its capabilities. That is why it is not in the budget as a procured-funded program, because it is not proven yet.

Secretary ALDRIDGE. Mr. Reyes, the way we manage the Missile Defense Agency is, as General Kadish has said, they focus on the research and development. When there is a decision to deploy something, as we did with PAC-3, we move the money out of the R&D budget and their activities and we put it into the military department that will actually deploy and operate the system. As we have transferred PAC-3 to the Army, as we have also done for MEADS, it is an Army—basically, they will be an Army program.

The same thing will be true for THAAD. If the decision is made, once it is tested and we have confidence in it, we want to deploy. It will be given probably to the Army to actually deploy and operate. And it will be in their budget. And the acquisition process will revert to like a normal process that we have for all other weapons systems.

Mr. WELDON. I thank the gentleman for his questions.

Mr. REYES. Thank you, Mr. Chairman.

Mr. WELDON. With that, I will turn to the distinguished Chairman of the Strategic Forces Subcommittee, who has agreed to allow the full committee to have this hearing. We appreciate his leadership and his commitment to missile defense, the gentleman from Alabama, Chairman Everett.

Mr. EVERETT. Thank you very much. Gentlemen, one and all, thank you very much for your service to this country, long-term service to this country.

And General Kadish, I want to thank you for the visit over to your agency. I was most impressed with the presentation. And I equally was impressed to hear you say—and let me quote—“We can

do operational testing while having the system on alert. We need to take advantage of that."

Would you briefly say again why we need to take advantage of that? Are we not feeling a gap?

General KADISH. I think the clearest reason is that since we do not have missile defense capability against these types of threats today, the fact that we have inherent capability in the test assets is a benefit that we ought to exploit. And something better than zero is always more useful.

Mr. EVERETT. Ninety is better than zero.

Secretary Aldridge, just for the record, this system is not legally or any other way exempt from realistic or operational testing?

Secretary ALDRIDGE. It is not. I repeat, it is not. I have only said this about 20 times now. It was an interpretation of some language that was included in our budget that came over that was interpreted as asking for a waiver for operational testing. It was no attempt to ask for a waiver.

We are building the test bed exactly for the purpose of doing operational, realistic testing. So it was illogical that we would be asking for a waiver and asking for something that would actually test operationally. And so we are prepared to work the language and make sure we get rid of the ambiguity and that we can do so very easily.

Mr. EVERETT. Please describe the Kinetic Energy Boost-Phase Intercept program. And will that require—the testing or development of space-based weapons—will that require changes in any international agreements?

Secretary CROUCH. We have a broad-based boost phase program that is going to be looking at ground-based, sea-based, potentially air-based and space-based boost-phase intercept capabilities. None of those programs would require us to make adjustments in international treaties. There is no aspect of the program that would be either prohibited or constricted in some way by those agreements.

General Kadish might want to amplify a little bit on the balance between the various elements of that program.

General KADISH. Mr. Everett, we have what we call parallel paths in development of boost-phase. Once we were free of the ABM Treaty constraints to explore this aggressively, we established—and it is funded in our budget—multiple ways of solving the boost-phase problem. We think we can solve it technically. But we have some work to do to get that done.

So as a result, we are looking at terrestrial-based interceptors, as well as working on the airborne laser program, to solve the boost phase intercept program. Terrestrial means land and sea. And in fact, we are in the midst of a source selection today to select a set of competitors to proceed on that development.

At the same time, in a little bit later in time, we have tried to establish what we call a space test bed for interceptors of that nature. Because the fundamental problem we have in solving the boost-phase intercept issue is geography. You have to be close to the boosting missile, relatively speaking, in order to be successful to intercept it.

And if you look at land basing and sea basing, it covers some geography close to potential offending nations or threatening nations.

But if you are in space, you can see the obvious benefit of being closer to the boosting rocket at any given point in time.

We have a lot of technical challenges to solve as a result of trying to do that. That is why we are looking at progressing with terrestrial first and then having a space-based test bed involved in this later on in the decade. And we think all of those are necessary and prudent to reduce the risk of developing a boost phase capability.

Mr. EVERETT. One final question: On the Pacific test bed, the early warning radar out at Fylingdales, who do they pass that off to?

General KADISH. I am sorry, congressman, I could not hear.

Mr. EVERETT. Early warning out at Fylingdales, in the U.K.?

General KADISH. Yes?

Mr. EVERETT. Who do they pass that off to?

General KADISH. I am sorry.

Secretary CROUCH. You are speaking about the Fylingdales radar in the United Kingdom.

Mr. EVERETT. Yeah, right.

Secretary CROUCH. And the end of the question, I think, is what we missed with the buzzer. Was it who is it—

Mr. WELDON. Who do you pass the data on to, right? Yeah, who do you pass the data on to once Fylingdales picks it up?

General KADISH. It will be passed—it will be an integral part of our battle management command and control system. So the data from Fylingdales will be integrated into our command and control system and what we call battle management, that actually cues the missiles where to go and operates the system. So it will be a direct feed into that effort.

Mr. EVERETT. Thank you, Mr. Chairman.

Mr. WELDON. I thank the gentleman. We are going to be under a time constraint here with votes. And we have another hearing here that commences at 11:30. But I would turn to Mr. Schrock now. No questions?

Next? Mr. Wilson is recognized.

Mr. WILSON. Thank you, Mr. Chairman. And I want to thank you for the vision all of you have had in your work to promote the missile defense system. And I certainly want to say "Amen" to Chairman Weldon and also Chairman Hunter for their comments. And I appreciate their leadership.

And in particular, I am really grateful that my predecessor, the late Floyd Spence, indeed considered this a primary concern of his. And you are fulfilling what he wanted accomplished.

And I want to restate, for whoever would be applicable, in regard to the AMB Treaty withdrawal, what has been indeed the implications of the withdrawal? And it has already been stated very well by Chairman Weldon that Russia, in fact, has now signed a contract with Boeing that could not have been possible.

And so it appears very positive, the withdrawal.

Secretary CROUCH. There are a number of advantages, we think, for the withdrawal. The first is that we are now able to test in an unconstrained environment. We can take advantage of all of the sensors that we have deployed around the world. Some of them are sensors that were not actually designed initially to perform missile defense capabilities.

We can do tests against various kinds of threats that we would not have been able to test against. For example, I think we recently did a test where we were looking at a boosting missile that will help to provide data for our boost phase program.

From an international perspective, we are now able to think of missile defense as a global problem. And it really is a global problem. There is no more artificial distinction between theater missile defense, short-range type missiles and long-range missiles.

Our allies face threats against short-range missiles. They may also face threats against long-range missiles.

Similarly, short-range missiles could be launched off of our coasts. So we are able to integrate the entire capability and not keep them separate, which is what would have been required by the treaty.

Finally, we are able to cooperate with allies in ways—and friends. And I think the point is that we are making some progress with the Russian Federation in this area. We hope to make more progress.

But I would also point to the fact that there are a lot of friends that we have, including Japan and others, who are very much under the gun, as we might say, from shorter and medium-range missiles. And we can work together to help provide defenses and support our alliances and our alliance commitments.

Mr. WILSON. And I appreciate your reference to Japan, the U.K., Denmark, our traditional allies. I am very fortunate to be the co-chairman of the India Caucus. Has there been any activity in working with India?

Secretary CROUCH. Yes, we have begun to explore—and we are at a fairly early stage—but we have begun to explore and have had a couple of meetings with the Indians, which we are beginning to look at the issue of requirements. Obviously, they are going to be doing some analytical work on their side to sort of see what kinds of missile defense systems and capabilities would be interesting to them.

And we have done this with a number of other very close allies over the last decade. And I think it is a very promising thing that we are now doing this with India, as we are trying to build a broader and more strategic relationship with India.

Mr. WILSON. Thank you very much. And again, I want to thank you for your—all four of you for your credibility, your competence. Today, as never before, it is indicated how important what you are doing. And so, thank you and God bless you.

Mr. WELDON. I thank the gentleman. We have good news and bad news. The bad news is we have to go vote 3 consecutive votes, which will take us at least 25 minutes. So we will not be able to be back until approximately five of eleven.

The good news is there is a hearing in here at 11:30, so you will not be held longer than 15 minutes beyond that.

So sorry for this interruption. But that is life in the Beltway. So the hearing stands in recess until the votes are over. Thank you.

[Recess.]

Mr. WELDON. Okay. The hearing will now come to order. I am sorry for that delay. And back to our questioning. And Mr. Taylor was next on the list.

Mr. TAYLOR. Thank you, Mr. Chairman. Mr. Chairman, I would remind this committee that I think we have two functions. Number one is to support the troops to the greatest extent possible. And part of that is to emotionally pump them up.

The other is to be good stewards of the taxpayers' money. I vividly recall when then-Deputy Secretary of Defense Deutch approached this committee informally and said he had quite frankly had enough of the C-17 program. They had come to the committee for five years in a row with almost identical testimony.

They had turned another corner. They had a new management team. The planes were not flying.

Secretary Deutch got a number of us to sign on with him that we would threaten to kill the program if the planes did not start flying. Something like 60 days later, miraculously, the planes started flying.

Now that led me to believe that maybe the contractor was milking us for every dime they could get. Or maybe it is a hell of a coincidence. But I think the committee did the right thing in reading the contractor on the C-17 the riot act.

To date, we have spent, by my estimation, about \$77 billion on national missile defense. And I would welcome you gentlemen to correct me if I am wrong.

The question I have asked General Kadish, I think, two or three times running—and I am going to ask it again—is: General, if the North Koreans gave us a week's warning, told us exactly where they were going to launch a missile, told us exactly where it was targeted, agreed to use no decoys or chaff, what are the percentages after—that is what are the chances that after that \$77 billion, this day, we could shoot that missile down?

General KADISH. Mr. Taylor, I will give you the same answer I said last time is that if it is going to South Korea, we have Patriot-3. If it is going somewhere else, in 2004, we will have, as we have testified to, the test bed operational.

Mr. TAYLOR. Today, General Kadish.

General KADISH. And if we got that kind of notice, I would hope we would not get the chance to launch it by using other means. But the situation has not changed, you are absolutely right, against long-range missiles.

Mr. TAYLOR. And that percentage is, just for clarification?

General KADISH. Pardon me?

Mr. TAYLOR. So the percentage today would be—the chance today?

General KADISH. Zero.

Mr. TAYLOR. Zero. Okay, because I thought you had amended your testimony at one point to bump it up to 10 percent. So we are back to zero. I thought—my memory is certainly not perfect.

General KADISH. I do not believe so, Congressman.

Mr. TAYLOR. Well, general, I will remind you that the Navy is down to about 305 surface ships. For that same \$77 billion, we could have built a dozen carriers, 77 destroyers. We could have done a whole lot of other things that need to be done.

I got a disheartening letter here from the Disabled American Veterans talking about an \$844 million cut this year to their budg-

et. You have an important job. I would strongly encourage you to light a fire under your contractors.

The American people demand accountability and results on every dime we spend. And I do think missile defense is something we ought to do. But that is really not anything for any of us, be it on this side of the table or on your side of the table, to be proud of. Because after \$77 billion, we cannot shoot down one.

And I would welcome you gentlemen's comments. This is a hearing. You tell me where I am wrong on that.

Secretary CROUCH. Sir, I think one of the things that we have accomplished in the last year is that we have moved some of the policy and political impediments that would keep us from being able to do that out of the way. Now the number you used is obviously derived from the missile defense, ballistic missile defense agencies and Strategic Defense Initiative Organization (SDIO) budgets over the last 10, 15, 20 years.

A lot of that money has gone into technology that is being fielded in the Patriot system. It is being fielded—and hopefully will be fielded over the next couple of years—in this Standard Missile (SM-3) capability and in the GBI capability.

But we had a lot of, as I think you know, political controversy over the ABM Treaty, over the impact that this would have, in terms of our relations with Russia, whether this might start an arms race of some kind. There were a lot of debates over the last 20 years.

I think what we have accomplished in the last year is we have demonstrated that we could move beyond the ABM Treaty in a co-operative way with Russia, that we could reduce our offensive nuclear capabilities while doing that. And we have signed the Moscow Treaty. And the Senate has provided its advice and consent to that treaty.

So I think that some of the important impediments that are really not technical that have had an impact on our ability to develop, deploy, test—all these aspects of missile defense, we are now going to be able to take advantage of the fact that we have moved beyond these things.

So I think——

Mr. TAYLOR. While I have got you, how many PAC-3s are in the inventory today?

Secretary CROUCH. I do not know the exact number.

Mr. TAYLOR. I am seeing conflicting numbers between two of the testimonies. One has it programmed of trying to get to 346. I think the other one was a bit higher than that. Is that today? Is that in the near future?

Secretary CROUCH. Neither one of those numbers are today.

Secretary ALDRIDGE. Mr. Taylor, we will get you the exact number that is in the inventory. But it is in the 50s, something in the 50s today. We would like to get it up to the 300 and so, several years from today.

We just asked and the Congress agreed to accelerate the production of the PAC-3 in the Omnibus fiscal year 2003 bill. We asked for an additional \$104 million to be reprogrammed. And it was approved.

So we are upping the production rate, getting to close to the 350 several years downstream.

Mr. TAYLOR. Your delivery right now is about what per month?

Secretary ALDRIDGE. I do not recall the exact delivery rate today. But we are going to 20 per month is the number that we asked for.

Mr. TAYLOR. Again, thank you for what you are doing. But do not spare the matches in lighting a fire under your contractors, general. We pay them a lot of money. We want to see a product for it.

General KADISH. I could not agree with you more, Mr. Taylor. And we already have and we will continue to do so.

Mr. WELDON. I thank the gentleman.

Mr. Saxton.

Mr. SAXTON. Mr. Chairman, thank you. I guess I may share some of the concerns that Mr. Taylor has. But I look at this as my glass being half full, not half empty. I believe in the spiral development program that is underway.

And each time I see a success, it makes me feel good that this committee has been an important part of encouraging the progress that you and your folks have been able to make. And so I thank you for the great effort that you are making in this regard.

As late as this morning, as Mr. Weldon pointed out earlier, according to news reports, the Iraqi vehicle that was taken down—whether it be Scud or whatever—you know, there are some folks who are pretty lucky that that PAC-3 missile was capable of doing its job this morning. They will never know who they are, thanks to the PAC-3.

And each time I see you hit a bullet with a bullet and drive by the Lockheed Martin plant in Morristown up in New Jersey, I hear a cheer go up. And that always makes me feel good.

And when I hear about the possibility of having something that I guess I call, and others may call, “picket ships” off our coast, and contemplating the capability of being able to do that in the not-too-distant future with Aegis ships or with some other platform. That makes me feel good. That is part of the spiral development program that we are all involved in.

And I wish, too, that we could jump to a full-blown system and have it in place in a few short months. It is not going to happen. It is too complicated a process for us to have those kinds of expectations.

So, like Mr. Taylor, I wish we were able to make faster progress, too. But I am sure pleased and grateful for the progress that we have made to date.

And let me just ask you a couple of questions.

General Kadish or whoever wants to respond, what is the situation currently in trying to integrate the capability of X-band and S-band radar for the purposes of tracking and engagement?

General KADISH. Right now, I would have to make a couple of assumptions. We are not trying to integrate them at this point in time on the same vessel where the S-band is with Aegis right now. What we have done is take a little bit different tact. And we are looking very seriously at using X-bands that may not be located—co-located—with Aegis, as an input to either aid Aegis and/or have Aegis aid it, the X-band radar.

So it is a cooperative arrangement with off-board X-band efforts. And we will be pursuing that aggressively in the overall program in the weeks and months ahead.

Mr. SAXTON. I am not sure I understand. They are obviously two separate functions. But you are going to plan on using them separately?

General KADISH. If we had an X-band radar somewhere in the locations and we have an Aegis ship in the same vicinity—and I would have to describe the regions to you—we could use the X-band radar to cue the Aegis weapons systems and, to some degree, the other way around. That is a command and control communications issue, as opposed to having X-band radars on the same ship, for instance.

So this is one of the things that was prevented by the treaty in previous opportunities. So now we are exploiting the idea that we could have different sensors located in different places, all focused on the same problem and make this a much more robust system than it would ordinarily be. So that is what we are exploring rather aggressively.

Mr. SAXTON. Thank you. Could you just comment on the other issue that I mentioned a few minutes ago—that is, the possibility of using existing technology to protect our shores, existing or modified technology?

General KADISH. Are you talking about short-range missiles potentially being launched off our coast? Is that what it is?

Mr. SAXTON. Yeah.

General KADISH. When we have the Standard Missile-3 on an Aegis as a part of this test bed activity, we will have for the first time the ability to handle those types of threats under certain conditions off our coasts. So Aegis and the sea-based portion of this test bed become very important at that point in time.

Obviously, there are limited inventories of missiles. And we have to work on that in future years in the evolutionary way that you described. But initially, for the first time, should it be necessary, we could place those ships to defend portions of the United States.

Mr. SAXTON. Do you see technology—do you see that as being an important step or an interim step in the evolution of national missile defense? And should we be thinking about what type of a platform to provide for these types of capabilities? Or will we move through that stage of evolution too fast to have to worry about platforms?

General KADISH. It is an important step, I believe, because the fundamental task we are trying to accomplish is to defend the U.S., our allies and friends and deployed forces against all ranges of missiles in all phases of flight. So that is why potentially shorter-range missiles threatening either Alaska, Hawaii or the continental United States is important. So this is an important first step.

And in regard to looking at other platforms eventually, I think the answer to that question is: We should. We will have a capability inherent in Aegis.

But as the future combat ships come down the line, we have been discussing with the Navy senior leadership in very broad terms over what the kinds of configurations those ought to be. And missile defense is certainly on the table for those issues.

Mr. SAXTON. It would seem to me that a ship with, for example, the capabilities of a guided missile destroyer (DDG), it seems to me you do not need all those capabilities if your mission is to protect some shoreline from a short-range missile. Is that—

General KADISH. Well, I think while that might be true, specifically from an overall cost-effective point of view, I think that people who know most about building these ships and the missions they ought to have on them need to determine what the best balance is. We can certainly always have a ship that is tailored exclusively to missile defense. Whether or not that is a smart idea, I think, really needs to be debated and analyzed a little bit further.

Mr. SAXTON. What about—let me have one more question, Mr. Chairman, then I will get out of the way. The concept of lateral ships is a hot topic nowadays. Would it be something we might want to contemplate to use that kind of a platform for a short-range missile defense?

General KADISH. Sir, I would like to take that for the record because there are many facets to that that need to be explained. So rather than doing it here in the hearing, I would appreciate it if we could take it for the record.

Mr. SAXTON. Thank you, Mr. Chairman.

Mr. WELDON. I thank the gentleman. The gentlelady from Virginia is recognized, Ms. Davis—California, I am sorry. I did not mean to offend California.

Ms. DAVIS OF CALIFORNIA. No offense.

Thank you, Mr. Chairman. I want to thank you all for being here. Thank you very much for your service. I wondered if I could—perhaps, Mr. Chairman, you already talked about this. But I wanted to ask Mr. Christie particularly about some of the comments that you had made in your report. And I also wanted to thank you for your frankness for saying that we have to tell it like it is.

In the report—have you all talked about this? The issue of continuing pressure to reduce operational testing and evaluation? I do not know if you have had a question about that.

But you go on to state that you are concerned within the acquisition community that the pressure really to control cost and schedule is leading to a practice in which learning about performance is avoided. And we all I think would recognize that we have to test complex systems and risk performance shortfalls in the program. And when we try to skimp on that testing, I think we sometimes create a need for further development to correct the deficiencies. And, additionally, those shortfalls really lead to schedule delays and to increased costs, as well.

I wonder if you can talk about that more—again, I am sorry if it has already been discussed at length—but reviewing for us the advantages and disadvantages of deploying without completing the testing because of pressure.

Mr. CHRISTIE. I think, madame, you are probably quoting from my annual report, not my missile defense report. What you are quoting for has nothing to do—or from—the statement that you have quoted has nothing to do with the missile defense issue that we are talking about here because I have testified here or stated here earlier today that I am fully in favor of the test program that

they have laid out, the Missile Defense Agency has laid out, fully support it. It is a robust test program.

What I was commenting on was the situation that I had expressed some concern with that we were—in a totally different context—in our rush to get things into the field, that we were skipping some steps along the way. And that is what I was commenting on, that there is a tendency—and we have seen it in many programs over the years—when you get yourself into trouble dollar-wise or schedule-wise, one of the things that gets cut quite often is testing.

And that is not necessarily operational testing that I am responsible for. It is testing in general. And I was expressing that concern in that context, not in the context of this program.

Secretary ALDRIDGE. Can I just—there was some speculation in the press and in hearings on the Senate Armed Services Committee a couple of days ago regarding the speculation that we were trying to get a waiver of operational testing in the missile defense program.

That is wrong. We are not requesting a waiver. There was some misunderstanding of a particular statement in the budget request that could be interpreted as we were requesting a waiver. That was not the intent.

We have agreed to work the language with the Congress to make sure that it is completely unambiguous. We are not requesting such a waiver. We are going to continue to conduct the full operational tests in missile defense.

And in fact, the reason we are developing the test bed for missile defense is to do exactly that. The test bed would give us more realistic operational testing. And that is part of our plan that we plan to conduct.

Ms. DAVIS OF CALIFORNIA. Sir, thank you. I am glad to hear that. I think there was a lot of concern about that. And sometimes, these things make it into the press. And there is some basis for it but I guess I would suggest that I think everybody would like to see those statements enlarged so we can fully understand as we are asked in our district about that kind of issue.

Secretary ALDRIDGE. We will certainly plan to make sure that the language is unambiguous, that that is not our intent. I have been pretty forceful several times now to say we are not requesting a waiver for operational testing. And in fact, the purpose of the test bed is to do exactly that.

Ms. DAVIS OF CALIFORNIA. May I ask, though? Are there any areas in which perhaps there are some pros and, as well, cons in doing some shortcuts? Do you see anywhere that you will do that?

Secretary ALDRIDGE. I do not think there is an advantage to doing shortcuts anywhere. I know most of the problems that I see in looking across the acquisition programs of the Department of Defense, is we get ourselves in trouble when we do not do adequate systems engineering, looking across all the aspects of the program, and we try to take shortcuts in various ways.

I think what we are trying to do with the acquisition philosophy now that I am pursuing is that we will do spiral development as we are applying to missile defense so that when the initial block of capability gets ready to be deployed, we can do it in a short period of time; but we do it with mature technology, technology that

we feel confident that we can, in fact, get in the field on that period of time and then plan to upgrade it with time.

And therefore, we are not taking shortcuts. We are trying to do—to deliver that piece of equipment to the military warfighter on the fastest possible schedule with the lowest possible risk, with more confidence that I can deliver it at that cost, at that schedule, with that performance. And then we understand that we can upgrade that with time, as we develop and test and understand the systems as they operate.

So shortcuts are always more expensive in my view. And therefore, we have an acquisition philosophy that avoids us taking shortcuts. And we will do it right. And we will upgrade it with time.

Ms. DAVIS OF CALIFORNIA. Okay. Thank you.

Thank you, Mr. Chairman.

Mr. WELDON. Thank the gentlelady from California.

The gentleman from Indiana is recognized for five minutes.

Mr. HOSTETTLER. Thank you, Mr. Chairman. And Mr. Chairman, I think it is very appropriate and timely that we are having this discussion today, given the fact that on Sunday, March 23, 2003, we will commemorate the 20th anniversary of a speech given by President Ronald Reagan that challenged the concept of mutually assured destruction as the reality of the United States' nuclear deterrent posture with the Soviet Union.

He asked the people of the United States, in a televised speech on that date, shortly before I would graduate from college, this very simple question: "What if free people could live secure in the knowledge that their security did not rest upon the threat of instant U.S. retaliation to deter a nuclear attack, that we could intercept and destroy strategic ballistic missiles before they have reached our own soil or that of our allies?"

It is that simple, yet profound, vision and with great technical and technological challenges, as these gentlemen will attest to, that you gentlemen are going to see to fruition. I think that is very profound and something that actually did not become the policy of the United States government until the gentleman sitting in the chair today, Mr. Weldon, introduced H.R. 4 in the 106th Congress, which became the National Missile Defense Act of 1999; was subsequently signed into law by then-President Clinton.

So while the vision has been 20 years in coming, the actual deployment discussion and activity has actually been very new. So there has been a lot of money spent on the vision, but very little action spent in deploying it.

And that deployment situation—I would like to ask you gentlemen, this idea of deploying or fielding an initial operating capability before the operational tests and evaluation of the objective system itself is not unprecedented. And I think we see a precedent in the Arrow system, whereby the nation of Israel, after a few number of tests, decided to deploy a system, given the threat that they faced.

So I guess my question is: It is not unprecedented to say that we have a capability that may be able to foil a ballistic missile attack. It is not the objective system. But it is important that we have the ability and the right to deploy that system as soon as possible. And that has been done before, has it not?

Secretary ALDRIDGE. Yes, sir. It has been done before. We did it on Predator. We did it on Global Hawk. The Israeli Arrow program had four tests and was then deployed. And we have done it on intercontinental ballistic missiles (ICBM). We have done it on submarine-launched ballistic missiles (SLBM). It is not unprecedented.

Mr. HOSTETTLER. So the idea that putting this system in place before the testing of the final system is, in many cases, has been done. And it would be in our best interest to deploy a system as soon as possible that may not be the objective system, but may have, in fact, the capability to do what we need to have done.

Secretary ALDRIDGE. Correct. Especially when you have a void of capability. In this case, we have zero. Getting something out is better than zero. Many cases—the ICBM program—of saying we had nothing, so we had to go with something. We did not have unmanned aerial vehicle (UAV), so we did Global Hawk and Predator. We have something, some capability we ought to deploy as quickly as we can against a realistic need.

Mr. HOSTETTLER. And there will be robust OT&E of the objective system?

Secretary ALDRIDGE. Absolutely. That is the purpose of the test bed, is to prove it in the most stressing way we can.

Mr. HOSTETTLER. Very good. I have one more line of questions. In 2001, the Secretary of Defense was named in a suit regarding environmental concerns that a group had—a federal lawsuit—environmental concerns by a group on the location in Ft. Greeley that was, I think, later dismissed.

Now there is the discussion of putting part of Vandenberg Air Force Base into the national park system. Are these two anomalies with regard to this missile defense, national missile defense system that we see, where environmental concerns may, in fact, stall the deployment of an initial operating capability or, ultimately, an objective system? Or could this become a pattern?

General KADISH. We work very hard to follow the environmental laws and regulations and intent.

Mr. HOSTETTLER. Which, I believe, is why the suit was ultimately thrown out.

General KADISH. Right. We came to an agreement with those folks that filed that suit. And I think a lot of the problems we have with people challenging us is that they do not understand exactly what we are trying to do. So we are trying to make a big effort in explaining it.

We will have issues with environmental. But our intent is to work our way through it and to follow the rules and disseminate the information as rapidly as we can. But it is something we work very hard and is part of our schedule. So right now, we seem to be doing pretty good. I do not know of any what I would call “showstoppers.” But we are working that problem real hard.

Mr. HOSTETTLER. Very good. Thank you, General.

Thank you, Mr. Chairman.

Mr. WELDON. I thank the gentleman for his questions and yield to the gentleman from Hawaii, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

Mr. Crouch, in your testimony, you discuss the question of—not so much discussed the question, but in addressing the various bal-

listic missile defense systems, aspects of it, of the ballistic missile defense system, you make mention of medium-range threats, short-range threats, et cetera. In my testimony here, it is pages, like, nine and ten. I do not know if you have it separated out.

My questions have to do with the emphasis on the ballistic missile defense, the long-range ballistic missile defense. This is not news to you or the General or others, that I have this concern about the short-range or medium-range, the THAAD and the area and missile defense and the medium-range and that it might be de-emphasized.

What bothers me is while there is—well, not so much bothers me—what I am concerned about is that is there a de-emphasis in this budget with respect to pursuing the testing and continued research in the medium-range or the short-range missile defense, which in my estimation is more crucial at the present time?

Secretary CROUCH. Absolutely.

Mr. ABERCROMBIE. Obviously, I have a parochial reason in that, too, because of the emphasis that we have placed on the pacific missile testing range. And the Kwajalein is still out there, of course.

But in terms of—and this answers also, Mr. Chairman, some of the points raised about the environment or the area in which you can do testing today. My own view is, or at least the view I have adopted as a result of what has been said to me, is that what we are doing at Barking Sands there on the Island of Kauai provides a pretty ideal testing laboratory, in terms of the distance that you can utilize without coming into environmental problems, so on and so forth.

Secretary CROUCH. There is no de-emphasis on medium-range or short-range systems. We are deploying right now short-range systems, the PAC-3. The test bed actually gives us the ability not just to test against long-range systems, but also to test against medium-range and short-range systems.

So we are in a position to use that test bed. And as it matures and gets more capable, we are going to have assets that we can move around in that Pacific environment. We will have the facilities in Hawaii, the facilities at Kwajalein and the like, that can be used in various geometries against missiles of various ranges.

So we consider the short-range and the medium-range threat also a threat we have to deal with, not just because we want to defend deployed forces and have the ability to work with allies, but also because in the long run, we think there may be some short-range threats against the United States. It is possible that a short-range missile could be launched off the coasts of the United States.

And so, longer-range systems, like the GBI that is going to be up in Ft. Greeley, will not be able to deal with that threat. So that is one of the reasons why, in the President's announcement, for example, we made the commitment to fielding initially up to 20 of these SM-3 systems.

General KADISH. I might add that the Pacific Missile Range Facility (PMRF) is pretty key to the test bed that we are building. Because, for instance, the THAAD operation, we are planning very vigorously to do out of PMRF as soon as we can. So it is a key part of the overall structure.

Mr. ABERCROMBIE. Thank you.

Mr. WELDON. I thank the gentleman.

The gentleman from Florida is recognized, Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman. According to your statement, over the last two years, you have achieved four of the five successful long-range, round-based intercepts, three for three, which were successful; ship-based exoatmospheric—I am sorry, I cannot even pronounce that—intercepts, five for seven successful; short-range, ground-based intercepts, what you call PAC-3s and for the first flight of the airborne laser aircraft.

I guess, when I was reading the statement, one of the questions I wanted to really get out here this morning and hopefully get a response: Were any of these tests against targets accompanied by countermeasures or radar-jamming equipment?

General KADISH. We had countermeasures in those tests, but not radar-jamming equipment, no. But we do have countermeasure test data as a result. And they are going to get increasingly more difficult as we build this test bed to deal with that.

Mr. CHRISTIE. I think on some of those statistics there, we did have countermeasures with the PAC-3.

General KADISH. Oh, I am sorry. I think you are right.

Mr. CHRISTIE. Radar countermeasures in the PAC-3 testing; quite a bit, as a matter of fact.

Mr. MEEK. Were these like, any of these tests multi-target tests?

Mr. CHRISTIE. In the PAC-3 tests, certainly they were. We had several tests that were multi-targets, simultaneously.

Secretary ALDRIDGE. In fact, one or two of the tests had a missile and an aircraft—

Mr. CHRISTIE. Yes.

Secretary ALDRIDGE [continuing]. Cruise missile-type target simultaneously.

Mr. MEEK. Well, I guess, how diverse has the testing protocols been, launching targets from ships or planes or different altitudes, as it relates to coordinations, things of that nature? I know that you said that they were diverse.

But I was very interested in this because I could not help but reflect, as it relates to the Welch Report that came out in 1998, making sure that the diversity of the program was not—how would you say?—compromised in any way.

Secretary ALDRIDGE. Well, I think—and maybe General Kadish can follow up—but the purpose of the test bed, again, is to do exactly that which you described, is to be able to test the system in a variety of angles, ranges, configurations, that will really stress the system in a more operational-like environment. And I think the testing program we certainly have laid out is going to do that.

And you do not do the most stressful test first. You try to build your way up to see, fundamentally does the technology work? Which I think we have proven, that hit-to-kill now works. Now, as you—and you can build up more confidence that it works against more stressful conditions. And that is basically what we are doing and why we have the test bed to do that.

General KADISH. And I would add that, along with the recommendations from Operational Test Office, the Welch Report and

other folks who looked at this, we have taken almost every one. I cannot think of a recommendation we have not put in this test bed.

Mr. MEEK. That is comforting. Thank you so very much for that. Thank you, Mr. Chairman.

Mr. WELDON. I thank the gentleman for his questions.

The distinguished ranking member, Mr. Skelton, is recognized.

Mr. SKELTON. Thanks so much, Mr. Chairman. You know, if you stick around long enough, all your questions are going to be asked by someone else. And Mr. Christie asked one—or answered one. And Secretary Crouch answered the second one.

But I do have one, General, for you. I was in the heart of the writing and the passing of the four-year effort that we now call Goldwater-Nichols. As I understand and remember, only the services can procure and operate deployed systems. I will underline the word “deployed systems”.

And you have asked us to pay for the initial deployment in Alaska from your budget. And how do you get around the Army or whoever, one of the services, not being the one who runs the procurement and deployment of this particular system.

Are you going to have civilians do it? Are you going to have contractors do it? Or were you aware of the law?

General KADISH. Well, sir, the intent that we have—and we are proceeding with this—is that we will have uniformed members of—right now—the Army is actually operating the system when it is on alert. Now, behind that will be a whole host of contractors supporting the system because it is a test bed at the same time.

So our intent and the overall approach we are taking is that the Army or the combatant commander structure that we have today will be the operating authority of the system. The difficulty comes in, from a funding standpoint and other management problems, is trying to slice the test bed up such that you have to use different colors of money and management structures.

Mr. SKELTON. You have answered my question. And I feel a lot better. Thank you a lot.

Mr. WELDON. I thank the gentleman. I have one final question. And to me, this is putting on another hat besides the role I play on this committee, and that is a new member of the Homeland Security Committee.

I am extremely concerned about the possibility domestically of a shoulder fired Stinger missile getting in the hands of the wrong person and using it against one of our airliners. And I know that was the subject of a classified hearing yesterday in the House.

I know that perhaps—and I will not ask the question—but I think it probably does not come under the direct jurisdiction of the Missile Defense Agency. But in fact, it is a major problem.

Now I am not so naive as to think we can put a system, a defensive system, in every airport to basically stop a shoulder fired Stinger missile. But there are other devices and technologies we can use that I am sure the scientists at MDA could assist us in understanding and then dealing with.

So my question, I guess, starting with the Secretary and then moving down, is: Do you share the concern? Do we have a process in place right now? Is there a need for us to perhaps put together a high-level technical commission to look at the vulnerability of

commercial airlines to—heaven forbid—that kind of a threat of the use of a shoulder fired missile, which we saw happen, or an attempt to happen, with an Israeli airplane not too long ago?

And I would pledge to you my full support. And I am sure my colleague would join with me in whatever we need to do, if there is not a process in place right now, to use defense assets and perhaps MDA assets to help us understand that threat and deal with it.

Secretary ALDRIDGE. Mr. Chairman, let me just say what I know about this. I know that there is an interagency group under the leadership of the National Security Council dealing with a lot of agencies—Homeland Security, as well as the intelligence agencies and the Department of Defense—looking at this problem.

We are heavily involved through both the Defense Advanced Research Project Agency, looking at their technologies, what might become available, as well as other counterterrorism task forces that we have underway that we have asked for inputs from industry on this. They are working as part of this interagency team.

I do not know the exact status of that team. But I know it is a very large and very high priority activity.

Mr. WELDON. I do not know whether, General, or any of the rest of you have or want to make any comments. But the Congress is now looking—there have been several bills introduced, looking at this issue. And I would rather have the advice and input of you all, especially your agency, General, because that is your purpose—missile defense, even though perhaps not defense against commercial airlines.

But that is the—and certainly, the scientists you have and the consultants you have are the experts on this, whether it is through decoys or through flares or other mechanisms like we use in our fighter aircraft. Our colleagues are going to be asking us, who are not on this committee, well what do we think? In fact, they are already asking: What should we do?

And I appreciate your answer, Secretary. And what I am looking for is not so much from the standpoint of terrorism, but the actual technology to divert a missile away. Do you have basic research going on in the area of this kind of avoidance measures that could be employed on not just a fighter plane, as we do on all of our aircraft, but perhaps other basic research in this arena?

General.

General KADISH. Congressman Weldon, I would reply in two facets. We do have a pretty good understanding and some technology on how to shoot airplanes down because we worked on Patriot-3 and those types of issues, as well. So there is a technical base that we have that we could contribute it and then have as needed, as mentioned by Secretary Aldridge.

The second point is, in my previous life, there is a whole host of technology, over the years, that have been responsive to protect airplanes—military airplanes—from these types of threats. And there are some very effective systems already installed on our aircraft.

So the technology is out there to a substantial degree. It could always be improved.

But some fundamental decisions will have to be made about affordability and those types of practicality and that type of a thing.

But there is a very wide community in DOD and beyond that know how to solve that problem.

Mr. WELDON. I guess just in closing, Mr. Secretary, I would ask you—if you could, for the record—to give us your ideas as to this interagency group that has working and any recommendations you have for us, as the Armed Services Committee, to perhaps enhance the use of our scientist base. Because it is an issue that is becoming more and more visible to our colleagues, greater concern to the traveling public. And since the question that our colleague, Gene Taylor, put before, we have a lot of money invested in missile defense. And we have done some good things.

Israel is being protected today because of U.S. dollars that funded the Arrow program. If we had not invested, there would be no Arrow program today for Israel. We are protecting our troops with PAC-3 today.

In fact, I have letters also from constituents, the families of 14 dead Americans from my state who were wiped out by a low-complexity Scud missile in 1991 that we could not defend against. I cannot satisfy those families. I cannot tell them that more money will bring their sons and daughters back. And so there is a concern that this investment has paid off.

But in the area here, which from a terrorist standpoint is a real concern for us, I would ask you if you could just make any recommendations. If there are suggestions, if there are ways that we can help legislatively, I know there is a lot of interest on the part of a lot of members on both sides of the aisle that we are aggressively addressing this issue through whatever form is most appropriate, whether it is through the Homeland Security Agency.

I happen to think that with the capability we have in this agency, that there ought to be a leadership role within DOD on this, even though it is more of a domestic terrorism issue.

Secretary ALDRIDGE. Mr. Weldon, I would be delighted to give you a rundown. It may become classified, but that is okay. We are delighted to do that.

I am aware of some technologies we were working on to try to do this in commercial airlines because cost is very much a driver for them. Maybe somewhat different than the military aircraft that are carrying quite valuable cargo. But I will respond and be delighted to do so.

Mr. WELDON. Thank you. We are backed up with a second hearing, which will start at 12:05. We will give the staff 15 minutes to clear the room.

We want to thank you all for your outstanding—not just your statements, but your service to the country. And we appreciate the great work you are doing.

Any other Member that wishes to submit a statement or questions for the record, without objection, that is in fact approved. And with that, we will adjourn this hearing.

[Whereupon, at 11:50 a.m., the committee was adjourned.]

A P P E N D I X

MARCH 20, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 20, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Hearing on Ballistic Missile Defense

Thursday, March 20, 2003

This morning the committee continues its consideration of the fiscal year 2004 defense authorization request with a review of the ballistic missile defense programs.

It is a pleasure to welcome our witnesses this morning:

- Honorable Pete Aldridge
Under Secretary of Defense
Acquisition, Technology and Logistics
- Honorable J.D. Crouch
Assistant Secretary of Defense
International Security Policy
- Lt. General Ronald T. Kadish, USAF
Director
Missile Defense Agency
- Honorable Thomas P. Christie
Director of Operational Test and Evaluation
Department of Defense

Gentlemen, we look forward to your testimony.

It was almost 20 years ago to the day – March 23, 1983 – that President Ronald Reagan questioned the logic and wisdom of our strategic policy of Mutually Assured Destruction or “MAD” and thereby challenged the same scientists and engineers who created our system of nuclear deterrence with the task of developing the means to render these weapons “impotent and obsolete”.

Over the years, Congress and the nation has engaged in a vigorous debate over the merit of this change in strategic policy. However, in 1999, Congress passed on a bipartisan basis H.R. 4 – the National Missile Defense Act of 1999 – officially committing the United States to the deployment of a national missile defense system “as soon as is technologically possible.”

While much has transpired since President Reagan’s visionary speech, today we finally stand on the threshold of turning that that vision into reality.

This Administration deserves great credit in recognizing the urgent need to both change the strategic arms control framework and pursue all prudent technological avenues to achieve this goal.

Last year, the United States exercised its legal right to withdraw from the obsolete and counterproductive Anti-Ballistic

Missile or ABM Treaty. Contrary to the dire predictions of some, the world did not end and strategic stability did not collapse. In fact, most of the world hardly seemed to notice or care. If anything, the international community has become more attuned to the problem of the proliferation of strategic weapons and the means to deliver them, and more focused on developing the means to defeat them. ABM was simply a treaty for another era.

By ridding ourselves from the artificial constraints of this treaty, we can now fully explore all options for basing sensors and weapons to provide the most comprehensive defense possible. Accordingly, the Department of Defense has already conducted a number of important test activities that would have likely been prohibited by the ABM Treaty.

Most recently, President Bush announced in December the decision to begin fielding an initial defensive operational capability beginning in the fall of 2004. The budget now before us supports this decision by requesting an additional 1.5 billion dollars over the next two years to increase the number of ground-based interceptors planned for the Pacific ballistic missile defense test bed from five to as many as twenty.

The request also would equip three of our Aegis-capable cruisers with as many as twenty of our developmental Navy upper-tier interceptors, and five times that number of Aegis-capable destroyers with upgrades to their tracking radars.

While this decision will likely prompt a further round of debate in the Congress, I believe the results of our test program over the past two years are a cause for confidence and optimism and that we must push forward to field an operational capability as quickly and prudently as possible. That said, these are merely initial steps and much more work remains to be done.

Let me note in closing that if the world's most destructive weapons were launched at the United States – either by accident or with malevolent intent – today there is still nothing can do to stop them. It would be the grimmest day this nation has ever seen.

Were we able to stop only one of those missiles, the result would hardly be less tragic, but the number of lives saved could easily be measured in the hundreds of thousands. Given the stakes, we have no choice but to move forward and eliminate this glaring vulnerability as rapidly as possible.

Let me now recognize the committee's ranking Democrat, Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks.]

The entirety of our witnesses' prepared statements will be entered into the record.

Secretary Aldridge, the floor is yours.

Opening Statement of

REPRESENTATIVE IKE SKELTON

Ranking Member
House Armed Services Committee

20 March 2003

Thank you, Mr. Chairman.

Gentlemen, welcome. It's nice of you to provide General Kadish some company in his annual appearance before our committee. I hope you don't think of yourselves as human shields.

I believe that the people of the United States need to be defended from missiles. And there is no question that the Missile Defense Agency is pursuing that goal zealously. That zeal showed in Patriot's success last night.

But let me tell you what worries me. Two years ago, the missile defense budget was increased more than 50 percent. And this year, the budget proposes almost another 20 percent on top of that. This is already the largest hardware program in the Department of Defense.

It would be one thing if that extra money were going to deploy the technologies we already have that can protect our troops. I think we'd have a strong consensus in this

room behind that. But much of it is going to new research programs, including new ideas about putting weapons in space. And I do not believe you will find the same consensus there.

General, in your official biography, it says: "The MDA is Presidentially-chartered and mandated by Congress to acquire highly effective ballistic missile defense systems for forward-deployed and expeditionary elements of the U.S. Armed Forces. Additionally, MDA will develop options, and if directed, acquire systems for ballistic missile defense of the United States." I don't want to see the additional duty get in the way of the primary one.

Secretary Aldridge, two years ago, I was maybe a little mean to General Kadish. I characterized the missile defense development plan as "throw everything against the wall and see what sticks." It seemed to be spend first, think later. You might not agree with that characterization. I have to tell you, though: Asking for even more money to chase even more ideas doesn't do much to dispel that impression, especially when we could be using that money to protect troops.

Now let me point out some things I do find encouraging. MDA has made a conscious effort to put more transparency into their budgeting and programs. That's been done in good faith and a cooperative spirit. I believe that Congress may now be able to exercise its oversight role with regard to this program.

I also see that in testimony earlier this week, every one of you rejected the proposed legislation that might have exempted this program from operational test requirements. We've waived far too many requirements already on the missile defense program, so I'm pleased that the Department will send us a revision of that language. I hope that some of you can speak to that in your opening remarks.

Thank you all for your work, and thank you, Mr. Chairman.

STATEMENT OF

**THE HONORABLE EDWARD C. "PETE" ALDRIDGE, JR.
UNDER SECRETARY OF DEFENSE
(ACQUISITION, TECHNOLOGY, AND LOGISTICS)**

**BEFORE THE
HOUSE ARMED SERVICES COMMITTEE**

March 20, 2003

Missile Defense Program Progress
The Honorable Edward C. "Pete" Aldridge, Jr.
Under Secretary of Defense
(Acquisition, Technology and Logistics)

Good morning, Mr. Chairman, Mr. Ranking Member, and Members of the Committee. Thank you for the opportunity to appear before you today to discuss the Fiscal Year (FY) 2004 Department of Defense Missile Defense Program and budget submission. I am pleased to provide you this update on the progress of the Missile Defense development program.

In the year that has transpired since I last addressed the Committee, we have made good progress in missile defense. The new management structure established by Secretary Rumsfeld in his memorandum of January 2, 2002 has been stood up. An effective and rigorous oversight structure, aided by the Missile Defense Support Group, is in place and providing valuable advice to me and to the Director of the Missile Defense Agency for the conduct of the program. Processes within the Department have been modified to support the accelerated development and fielding of these new revolutionary capabilities. A national team of the best and brightest of the government and industry has been formed and is tackling the complex technical challenges of ballistic missile defense. We have achieved a number of successes in the missile defense test program, which have added momentum to the development effort and bolstered our confidence that we will be able to meet the challenges that lie ahead. In addition, our overtures to allies and friends have generated an expanded desire for international participation in the Ballistic Missile Defense Program.

The focus of my testimony in March of last year was the management and oversight of the Missile Defense Program. The Committee was rightly concerned that the new management structure should provide for the proper oversight of the program by the Department and that the Congress should have full insight into program activities. I informed you of the formation of a Missile Defense Support Group (MDSG) consisting of key officials plus 2 advisors from 13 selected offices within the Department (including the Military Services) for a total of 39 individuals who support decision making by the Senior Executive Council (SEC) and to advise me and the Director of the Missile Defense Agency on the full range of issues associated with the missile defense program including policy, operations, acquisition and resources. In the span of one year we have had 25 meetings of the MDSG, an average of two meetings each month of a group of some of the most knowledgeable and experienced individuals in the Department. No program in the Department receives more scrutiny—either in level of rigor or frequency of study—than the Missile Defense Program. The MDSG has provided me and General Kadish strong support in numerous key areas of the missile defense program. The MDSG has helped develop the strategies for the deployment of an initial emergency capability and the follow-on deployment of expanded capabilities in block configurations. It has also been valuable for the transition of developed capabilities to the Services for fielding and operation. In October of last year I decided that the time was right to transfer the PATRIOT (PAC-3) system to the Army. The advice of the MDSG for making the handover to the Army supported the Defense Acquisition Board process and aided my decision to make the transfer. The MDSG has also helped the missile defense development program by speeding a number of routine Department processes including review of the annual budget and the continuing evaluation of each part of the

missile defense program against its cost and schedule goals. I can confidently assure the Congress that oversight has actually improved under the new management structure with the continual engagement by the MDSG.

As you are aware, on December 19, 2002, President Bush made the decision to deploy a limited Missile Defense capability beginning in 2004. The nature of the expanding ballistic missile threat and the declared hostile intent of our adversaries compel us to put capabilities in the hands of our fighting men and women as soon as they become available, even if the state of development is less than what we ultimately hope to deliver. Putting an effective capability into the hands of our fighting force is a dramatically safer move for our troops, our nation, our allies and our friends than delaying their fielding for five years or more as we strive for a final, objective level of performance. This is the strategy directed by Secretary Rumsfeld in his January 2, 2002 memorandum on the Missile Defense Program and the philosophy by which our efforts are being guided. Concerns have been raised by some that this might result in the fielding of systems that are unproven and unsuitable for battlefield conditions or that the Department is seeking a waiver of statutory requirements governing operational testing. No such waiver of testing requirements has been requested. Quite the contrary, the revolutionary nature of missile defense and the threat posed by ballistic missiles have prompted us to take steps to ensure that deployed systems meet effectiveness and suitability goals through rigorous testing throughout development. The Department involves the operational test community well in advance of a deployment decision so that we can gain a better understanding of these issues as capabilities are being developed. The Director of Operational Test and Evaluation (DOT&E) is directly involved in the review and assessment of all missile defense testing activities. He will provide his operational assessment report to Congress each year and provide the Department an operational assessment of the suitability and effectiveness of the ballistic missile defense system at each Block decision point. DOT&E also participates as a member of the Missile Defense Support Group, which has examined the developmental test program on several occasions during its first year of work. The Department is committed to ensuring that fielded missile defense capabilities are sufficient for defending against the threat. I am confident that the level of oversight being provided to test activities will accomplish this goal.

An important element of our Missile Defense Program is the planned ability to extend ballistic missile defenses to include our friends and allies. Recent revelations about North Korea's ability to reach the United States, compounded by that nation's recent behavior, have validated the concerns of Japan and other Western Pacific nations regarding the threat of ballistic missile attack. These concerns are rightly shared by Europe, as well. The ongoing proliferation of weapons and missile technology to nations such as Iran poses a more immediate threat to the European continent than to North America. This has sparked a growing desire among several of our allies to participate in the missile defense program. We have recently conducted discussions with the United Kingdom, Japan and Denmark toward expanded Missile Defense participation, with some positive outcomes already agreed to. We are also in continuing dialogue with other allies. The effectiveness of any global ballistic missile defense system will be enhanced by international participation.

Since this is my first opportunity to testify before the House Armed Services Committee since the passage of the National Defense Authorization Act for Fiscal Year 2003, I would like to take

this opportunity to thank its members for their invaluable contributions to such elements of this legislation as "Buy-to-Budget." This provision will help us optimize the use of taxpayer funds as we seek to provide the best possible equipment and weaponry to the warfighter. We are also grateful for the removal of certain superfluous and resource-consuming reporting requirements. The continued cooperation between the Department of Defense and the Congress will only grow in importance as we execute our mission to provide for the national security of the United States. I look forward to continuing that cooperation.

Thank you for this opportunity to testify before the Committee. I would be happy to answer any questions you might have.

The Honorable J.D. Crouch II
Assistant Secretary of Defense
(International Security Policy)

United States Missile Defense Policy

Before the House Armed Services Committee

March 20, 2003

Mr. Chairman, it is an honor to come before your committee to provide details about our missile defense policy and the direction of our missile defense program, especially in light of the President's recent decision to begin initial fielding of missile defense capabilities in 2004.

I would like first to identify the basic reasons for moving forward with the fielding of missile defense. We and our allies face serious and unpredictable threats to our homelands, populations, and interests, particularly including the proliferation of ballistic missiles armed with weapons of mass destruction. One of the reasons potential adversaries seek ballistic missiles is because we have no defenses against long-range missiles, and limited defenses against shorter-range missiles. Potential adversaries see these weapons as a means for exploiting an obvious U.S. and allied vulnerability.

Ballistic missiles have proliferated on a global basis and are in the hands of over two dozen states, many of which have chemical, biological, or nuclear weapons programs underway.

North Korea, for example, has had an active ballistic missile program for years, and has developed a wide-range of offensive missiles. It has deployed and exported missiles that can threaten our allies, friends, and forces abroad.

North Korea caught us by surprise when it launched its three-stage Taepo-Dong I space-launch vehicle/ballistic missile in August 1998. We knew North Korea was developing longer-range missiles, but we were surprised at the presence of a third stage on the missile. We have been surprised many times in the past by foreign ballistic missile developments. We likely will be surprised again in the future. The existing and emerging missile threats of which we are aware are significant; those we can see now only in part almost certainly will be more severe.

For example, North Korea has the Taepo Dong II long-range missile capable of reaching parts of the United States with a nuclear weapon-sized payload, and it could be flight-tested at any time. And, according to the National Air Intelligence Center, the Taepo Dong II missile may be exported to other countries in the future. Iran and other countries also are working on space-launch vehicles and intercontinental-range ballistic missiles that could be ready for testing in the next few years.

We are moving forward with missile defense to help protect American territory and forces abroad, and our allies and friends against the use of missiles and weapons of mass destruction by unpredictable, and in some cases, irresponsible states.

In addition, some countries seek missiles and weapons of mass destruction to coerce us simply by threatening their use. Missile defenses will help to reduce our potential vulnerability to such coercive threats.

Finally, by reducing the value of ballistic missiles for coercion or use, our missile defense capability will help to dissuade countries from investing in ballistic missiles at the outset. Missile defense can help to reduce the proliferation of offensive missiles by reducing their value, and thereby reducing the demand for them. In this way defenses will provide a useful complement to our other non-proliferation efforts.

In light of this new security environment and the considerable progress made to date in missile defense technology, the President directed the Department of Defense to proceed with fielding initial missile defense capabilities in 2004 and 2005. We will build on the missile defense test range (known as the "test bed") that we have been constructing. As a result of our withdrawal from the ABM Treaty, the fielding of these initial capabilities no longer is prohibited. The initial missile defenses called for by the President will serve as a starting point for improving our defensive capabilities as budgets and technological progress allow, and as developments in the threat necessitate.

Finally, as the President has noted, because ballistic missile threats also endanger our friends and allies around the world, it is essential that we work together cooperatively to defend against them. To do so, the Department of Defense is developing and deploying missile defenses capable of protecting not only the

United States and our deployed forces, but also our friends and allies; and we have structured our missile defense program in a manner that encourages participation by other nations.

With these general points in mind, allow me to elaborate on our approach to missile defense development and deployment, and how we are pursuing cooperative efforts with allies and friends.

US defense goals and capabilities-based planning

From the start of this Administration, our approach to developing and fielding missile defenses has been consistent with the Department's goal of transforming U.S. military forces and adopting a capabilities-based approach to planning. We begin with the recognition that we face a security environment where threats and potential adversaries are less predictable and more diverse than during the Cold War. Therefore, rather than organizing our defense planning around a fixed and largely static set of enemies, we now focus on how potential adversaries might fight and with what means.

The Nuclear Posture Review concluded that a mix of capabilities -- offensive and defensive -- is required to address the emerging missile threat, and to help meet the four broad defense goals outlined in the Nuclear Posture Review: to assure, dissuade, deter, and if necessary, defend and defeat. Missile defenses will help to:

Assure allies and friends that ballistic missiles threats will not coerce the U.S. from fulfilling its security commitments, or allow aggressors the means to undermine the cohesiveness and political stability of a coalition or alliance;

Dissuade potential adversaries from investing in or developing ballistic missiles and their associated nuclear, chemical, and biological warheads by reducing the value of such weapons;

Deter ballistic missile attacks and threats by reducing an adversary's confidence in the possible success of its missile attack, and by denying the political-coercive or military benefits associated with threatening an attack;

Defeat missile attacks and **defend** the population of the United States, its forces, allies and friends should deterrence fail.

The Evolutionary Approach to Fielding Missile Defenses

In applying capabilities-based planning to missile defense, we concluded that an evolutionary approach to acquiring and fielding missile defense was the best way to address ballistic missile threats in a dynamic and unpredictable security environment.

The Department has been pursuing a broad-based research, development and testing program to examine the full range of capabilities to intercept ballistic missiles of all ranges and in all phases of flight. On December 17, 2002, the President announced his decision to field in 2004 and 2005 initial defensive

capabilities against long- range missiles, and additional capabilities against shorter-range missiles. As we field these capabilities, our development and testing program will continue to improve our defensive systems over time.

Under this evolutionary approach, we do not envision a final or fixed missile defense architecture. Rather, the composition of missile defenses, including the number, type, and location of components, will change over time to meet the changing threat and take advantage of technological developments. The evolutionary approach to the acquisition and fielding of missile defenses is the best means for providing advanced capabilities to the war-fighter, while continuously pursuing follow-on improvements in capability. This approach facilitates the timely delivery of a modest, but still useful defensive capability that can then be improved with the benefit of technical advancements and operational experience.

The severity of existing and emerging missile threats, and the potential for surprises, call for this approach to acquisition that permits the fielding of appropriate defensive capabilities as soon as technically practicable.

Fielding modest capabilities in the near-term will provide not only timely defensive coverage, it also will allow operational input from combatant commanders. This is especially important for the missile defense mission wherein there is little previous operational experience to serve as a guide.

Two good examples where we have taken a similar approach to the timely fielding of limited capabilities still in development are the Predator Unmanned Aerial Vehicle (UAV) and the Joint Surveillance and Target Attack System

(JSTARS). Predator was begun as an Advanced Concept Technology Demonstration project in 1994, conducted its first flight test in 1995 and was first deployed in Bosnia in 1996. Since then, commanders in the field have provided valuable inputs on ways to improve the system and have continued to request this capability in other operational scenarios including, Kosovo, Iraq, and Afghanistan.

JSTARS aircraft were deployed in 1991 to participate in Operation Desert Storm even though they were still in development. The developmental aircraft flew on 49 combat sorties and accurately tracked mobile Iraqi forces. JSTARS developmental aircraft also flew 95 operational sorties in support of NATO peacekeeping mission Operation Joint Endeavor in December 1995, monitoring ground movements to confirm compliance with the Dayton Agreements.

In each case, the timely and limited deployment of a system still in development provided useful capabilities, and facilitated subsequent improvements in the systems.

Our evolutionary approach to missile defense similarly points to the initial fielding, in limited numbers, of those missile defense capabilities that have been demonstrated to work, and the subsequent improvement of these capabilities through incremental improvements, for example, by inserting new technologies when available.

We are moving forward with missile defense on the basis of a highly successful test program over the past two years. For example, since the beginning of 2001, we have had four successful tests out of five for the long-range, ground-

based interceptor, three successful tests out of three for the short-to-medium-range sea-based interceptor, and five successful tests out of seven for the short-range, ground-based interceptor. Where tests have failed, we understand what went wrong and have taken measures to correct the problem. In the next two years, we plan to conduct over 120 flight and ground tests.

Some test failures are to be expected with advanced technology development programs. Indeed many of our most successful programs have had significant test failures. For example, the Corona satellite program, which produced the first overhead reconnaissance satellites, suffered 11 straight test failures. The Vanguard program failed 11 of its first 14 tries. And, the Polaris sea-launched ballistic missile failed in 66 out of 123 flights.

Nevertheless, in each case, these programs continued in development, were successfully deployed, and made significant contributions to our national security. We have learned from our missile defense test successes and failures, and look forward to additional successful tests as we deploy the initial missile defense capabilities and work continuously to improve those capabilities.

Initial Capabilities (2004-2005)

In December 2002 the President directed the Department of Defense to build on the missile defense testbed and begin deployment of missile defense capabilities in 2004 and 2005. These capabilities will serve as the starting point for the evolutionary improvement of our missile defense capabilities.

The capabilities planned for 2004-2005 include 20 ground-based interceptors (GBIs) against the intercontinental-range ballistic missile threat; 16 located at Ft Greely, Alaska and 4 at Vandenberg Air Force Base. The GBIs will be available on a continuous basis to intercept long-range missiles during their midcourse phase of flight, while the incoming enemy warheads are outside the atmosphere.

The Ballistic Missile Defense System supporting the GBIs will include an initial set of integrated sensors based on land and at sea, and cued by early warning sensors in space. We also have made requests to the United Kingdom and the Kingdom of Denmark to upgrade early warning radars on their territory to track ballistic missile threats from the Middle East. The UK has granted permission and we look forward to hearing from Denmark later this year.

To address the medium range threat, we plan to equip three existing Aegis-class ships with up to 20 Standard-Missile (SM-3) interceptors. This will provide a highly mobile missile defense capability to help protect US forces and allies and provide some limited protection for the U.S. homeland against shorter-range missiles launched from ships off our coasts. We also plan to modify other sensors on 15 existing Aegis ships to support the overall ballistic missile defense system.

Finally, with respect to the short-range threat, we will continue to field additional air-transportable and mobile Patriot PAC-3 units with up to 346 PAC-3 missiles and 42 PAC-3 radars. The PAC-3 missile is the first upgrade of the Patriot system to feature a hit-to-kill missile that can help defeat chemical and biological

threats, and is designed to protect U.S. and coalition forces in the field as well as limited geographic areas.

These initial capabilities may be improved later in the decade through additional measures that will lead, ultimately, to a multi-layered missile defense system. These include additional ground- and sea-based interceptors and PAC-3 units; introduction of the Theater High Altitude Area Defense system to intercept medium-range missiles at high altitude and the Airborne Laser that will use directed energy to destroy a ballistic missile in the boost phase; enhanced radars and other sensor capabilities; development of a common booster for boost and midcourse defense; and initial development and testing of space-based hit-to-kill interceptors.

The budget request for the Missile Defense Agency for FY 2004 and FY 2005 is \$7.7 billion and \$8.7 billion respectively. Included in this funding request is an additional \$1.5 billion dollars total for FY 04 and 05 to provide those initial capabilities directed by the President for 2004 and 2005. Funding requests for our missile defense programs will remain relatively constant at roughly \$8+ billion dollars per year from FY04 to FY 09. This represents less than 3-percent of the total defense budget over these years.

Operational Issues

Fielding a layered missile defense system poses new operational command and control challenges. A key Presidential document used to organize U.S. forces, Unified Command Plan (UCP) 2002, assigns the U.S. Strategic Command

(STRATCOM) responsibility for planning, integrating, coordinating, and developing the desired characteristics for sea, land, air, and space-based global missile defense operations. UCP 2002 addresses the missile defense command and control issue through the use of centralized planning with decentralized execution. Therefore, while STRATCOM will be given responsibility for planning, integrating, and coordinating global missile defense operations, NORTHCOM and other regional combatant commands will retain responsibility for defending their geographic areas of responsibility – including command and control over systems providing defense against ballistic missile attacks.

Cooperation with Allies and Friends

As the President stated, it is essential that we work together with allies and friends to defend against ballistic missile threats. Accordingly, the Department of Defense is developing and deploying missile defenses capable of protecting not only the United States and our deployed forces, but also our friends and allies. For example, two of the capabilities we plan to operate in 2004 and 2005 – sea-based missile defense and Patriot PAC-3 – could provide some protection for allies against short and medium-range ballistic missiles, depending on where they are located.

The United States also will structure its missile defense program in a manner that encourages industrial participation by other nations, consistent with U.S. national security. Countries will be encouraged to participate at whatever level they deem appropriate up to and including co-development and production of various

systems. They might also provide in-kind contributions such as territory and facilities upon which to build components of our missile defense system.

There are a number of examples of U.S. missile defense cooperation with allies and friends around the world. For example, the U.S. has been working with **Israel** since the late 1980s to design and develop missile defense systems. U.S. and Israeli cooperative programs, such as the Arrow missile defense system, along with the sharing of U.S. missile launch warning information, will continue to assist Israel in the development of a ballistic missile defense capability to deter and, if necessary, defend against current and emerging ballistic threats. We are also helping Israel to address the threat via a co-production arrangement of Arrow components in the U.S.

Turning to Asia, the U.S. and **Japan** have engaged in missile defense research cooperation since the 1990's. These efforts have focused on sea-based missile defense efforts (Japan has acquired several AEGIS ship platforms), including components developed by Japan that could become part of an evolutionary development upgrade to the U.S. Navy's Standard Missile III (SM-3). The U.S. and Japan are scheduled to conduct joint flight tests of the SM-3 in FY 2005/2006. We are exploring additional avenues to enhance missile defense cooperation with Japan.

Elsewhere in the Asia-Pacific area, we are working closely with South Korea as they proceed with their new air defense frigate development with the aim of including missile defense capabilities. We have an ongoing dialogue with **India** on

missile defense issues and recently this dialogue expanded to include discussion of India's efforts to determine its own specific missile defense requirements.

Likewise, we have met with officials from *Taiwan* in an effort to answer their questions regarding missile defense.

Turning to Europe, there is consensus in *NATO* on the need to develop and deploy missile defenses capable of protecting deployed forces against short-to-medium range ballistic missiles. The Alliance is undertaking a Theater Ballistic Missile Defense Feasibility study to examine options for protecting Allied forces from ballistic missile threats of up to 3,000-km.

Because Europe increasingly is threatened by missiles of all ranges, we have encouraged the Alliance to expand its consensus on missile defense to include missile defenses capable of protecting all Alliance territory against the full range of missile threats. As a first step, the Alliance agreed at the November 2002 Prague Summit to initiate a new missile defense feasibility study to examine options for protecting Alliance territory, forces and population centers against the full range of missile threats.

The United States has had a long relationship with the *United Kingdom* in the area of missile defense research. Recently, British Secretary of State for Defense Geoffrey Hoon stated that "developing the capacity to defend against the threat of ballistic missile attack is in the interest of the UK and its people." We are in the process of deepening this relationship between our two nations to facilitate greater

missile defense cooperation. The United States has requested and received permission by the United Kingdom to upgrade the early warning radar located at Fylingdales.

The governments of *Germany, Italy*, and the United States have been pursuing a multilateral research and development program to field a new mobile air and missile defense system capable of providing protection for forces on the move, the Medium Extended Air Defense System (MEADS). MEADS is expected to replace the U.S. Army's Patriot system in the next decade and has the potential to become the core short-range missile defense capability for the Alliance. Both Germany and Italy support MEADS and have programmed funding for the next phase of activities.

The United States continues to engage the *Russian Federation* actively in the area of missile defense cooperation. The Joint Declaration signed by Presidents Bush and Putin last May called for missile defense cooperation and reflects the new relationship between our countries. Our relationship no longer is focused on managing hostility, but instead, on building cooperation.

To fulfill our commitment to strengthen confidence, increase transparency and study areas for missile defense cooperation, a U.S.-Russian Missile Defense Working Group has been established under the auspices of the Ministerial-level Consultative Group on Strategic Security. In this venue the U.S. has proposed to begin voluntary and reciprocal information exchanges and visits,

made proposals for potential new cooperation and also encouraged Russian interaction with U.S. corporations working on missile defense.

We already have some ongoing programs of missile defense cooperation. For example, we have conducted three successful Theater Missile Defense Exercises with the Russian Federation. A fourth exercise is planned in Moscow in the Spring of 2005. These unclassified, computer-based exercises are designed to establish procedures for independent but coordinated operations in the event that our forces are deployed together against a common adversary.

We also are seeking to resolve issues that impede implementation of agreed cooperation programs. Negotiations continue on the Russian-American Observation Satellite (RAMOS) program. We also continue to discuss the Joint Data Exchange Center, which is held up by a disagreement over tax and liability provisions.

Conclusion

Missile defenses are an essential element of our overall national security policy to transform U.S. defense capabilities to meet the requirements of a dynamic international security environment. As we move forward in 2004 and 2005 to field the missile defenses called for by the President, we will do so in cooperation with our allies and friends. Our initial missile defense capabilities will be modest; but the evolutionary approach we are pursuing will support continued research, development and testing to improve our capabilities as budgets and technology allow, and as developments in the threat necessitate.

Unclassified Statement of

Lieutenant General Ronald T. Kadish, USAF

Director, Missile Defense Agency

Before the

House Armed Services Committee

Regarding the

**Fiscal Year 2004 Defense Authorization
Ballistic Missile Defense**

Thursday, March 20, 2003

*Embargoed Until Released by the
Armed Services Committee
United States House of Representatives*

**Lieutenant General Ronald T. Kadish, USAF
Director, Missile Defense Agency
Missile Defense Program and Fiscal Year 2004 Budget
Before the House Armed Services Committee
March 20, 2003**

Good morning, Mr. Chairman, Members of the Committee. It is an honor to appear before you to present the Department of Defense's Fiscal Year (FY) 2004 Missile Defense Program and budget.

In early 2001 we restructured the missile defense program to develop the capability to defend the United States, our allies and friends, and deployed forces against all ranges of missiles in all phases of flight. With the support of Congress, we have made considerable progress in demonstrating key ballistic missile defense (BMD) technologies and system integration. Our testing and analysis give us confidence that hit-to-kill technology works and that we can take the initial steps we are proposing to bolster defenses against short- and medium-range ballistic missiles and introduce a modest defensive capability to defeat a limited long-range threat. Today I will review our progress, discuss why we are confident in our approach, and outline our plans and challenges ahead.

Over the past two years we have conducted several successful intercept tests. We achieved four for five successful long-range, Ground-based Midcourse Defense (GMD) intercept flight tests, demonstrating the hit-to-kill technologies of the Exo-atmospheric Kill Vehicle, critical sensor technologies, and the integration of many geographically dispersed missile defense assets. The failure of the most recent such test (Integrated

Flight Test-10) last December resulted from the non-separation of the interceptor and the surrogate booster rocket. This was not a failure of new missile defense technology, but a failure of our quality control processes. We are increasing our already focused quality control efforts. We are taking steps to ensure this separation problem is not repeated. Furthermore, future GMD tests will no longer use the surrogate booster and instead will use one or both of the boosters currently under development.

We are three for three in our ship-based exo-atmospheric intercept tests. Last year Aegis BMD successfully completed its Aegis Lightweight Exo-Atmospheric Projectile (LEAP) Intercept (ALI) project. Based on these results we accelerated the insertion of the follow-on Aegis BMD capability into the Test Bed. Our third intercept in November 2002 was the first ever intercept of a ballistic missile in the ascent phase of flight.

Patriot Advanced Capability 3 (PAC-3) has made significant strides. Since January 2001, we have had five for seven successful intercepts of ballistic missile targets and have begun fielding the first PAC-3 missiles. We also executed more than a dozen successful test flights of the Airborne Laser (ABL) aircraft, completed significant aircraft modifications, and accomplished successful subsystem testing and full-up ground-tests of the first laser module. While we are in the difficult phase of integrating the components into the ABL, our progress to date has increased our confidence that ABL can eventually be integrated into the BMD system (BMDS).

Mr. Chairman, America's missile defense program is on track. The Missile Defense Agency is doing what we told Congress it would do. We listened to your concerns and have sought to address them in a responsible manner. We have faced

significant technical and management challenges, but through aggressive testing we have proven that hit-to-kill technology works. We have demonstrated system integration through complex system testing. These tests, combined with analysis of simulations and exercises, give us confidence that the system can take the first steps toward initial defensive operations while performing as a test bed for further realistic testing and continued spiral development.

The President's FY 2004 budget will allow us to continue this significant progress and is structured to incorporate the recommendations of the Defense Science Board summer study of 2002.

Evolutionary Approach to Missile Defense

The BMD system involves many sensors and interceptors that are integrated and layered to enable engagements against hostile missiles in the boost, midcourse, and terminal phases of flight. Layered defenses can allow multiple shot opportunities across all of the engagement segments and potentially within each one of those segments, greatly enhancing our ability to handle countermeasures and destroy in-flight missiles and their payloads.

As I have explained in past hearings, we are building the missile defense system using an evolutionary acquisition approach, so that the system's capability can be enhanced over time. Our plan continues to be one of incrementally providing the decision makers the ability to field militarily useful capabilities based on their technological readiness, suitability for operational use and threat developments.

Last December the President directed the Department to field an initial set of missile defense capabilities in order to reduce the vulnerabilities of the United States, our troops, and our allies and friends. Given our fielding approach, and given the successful testing we have accomplished to date, I believe we are ready for this. The proposed budget for FY 2004 and across the 2004-2009 Future Years Defense Program (FYDP) supports Research, Development, Test and Evaluation (RDT&E) activities to accomplish that goal. We plan to begin operating modest land and sea defense capabilities in 2004 to provide limited protection of our country as well as our troops and critical assets overseas.

In missile defense, we deal routinely with revolutionary technologies and unprecedented engineering requirements. The program we are currently executing recognizes the unique challenges we face and sets out a disciplined course to develop the BMD system in an evolutionary way. Having spent the last couple of years looking at different missile defense options, we are now narrowing our program activities and focusing on development and fielding of the most promising elements.

Consistent with the approach I have described in previous hearings, we are building and fielding limited, militarily useful capabilities as soon as they can be made available. This approach takes into account known and projected threats and the present state of technology. With a capability-based acquisition approach we put capability into the field, test it, use it, get comfortable with it, and learn what works well and what does not. We have structured Test Bed fielding opportunities to occur in "blocks" every two years to improve what we have fielded as needed. Block 2004 (initial defense

capabilities) represents 2004-2005, Block 2006 represents 2006-2007, and so on. These blocks will deliver elements and components that are ready for continued rigorous testing and full integration into the system.

With the President's decision, we now have a basic near-term architecture for a limited system to address a range of missile threats. I want to stress that we have no fixed, long-term architecture. We will evolve and improve the capability of the Block 2004 system over time, so that what we propose to field initially in 2004 and 2005 may evolve to look very different a decade later. The number and type of missile defense assets and their locations and basing arrangements may be expected to change to make the system more integrated and capable.

We have adopted this evolutionary approach because a single acquisition cycle is not responsive to rapid changes in threat and technology and is not structured to deal with surprise. We want to avoid prematurely constraining system design by using the traditional requirements process and waiting up to twenty years or more for a defensive capability that would result from using traditional acquisition rules. In a world marked by increasing ballistic missile activity, our nation, forces, and allies cannot afford to wait that long.

In using this evolutionary approach, we still have the ability to incorporate the discipline and intent of the traditional acquisition process. For example, the warfighting community has been heavily involved from the beginning in the development of system elements and components. We are successfully using a spiral development process to put new technologies into play more quickly than if we were to use the traditional approach.

Spiral development requires regular dialogue and active participation between user and developer for delivering a militarily useful set of capabilities. Once we field the initial capability, uniformed personnel will operate the system.

Despite the many uncertainties we face, this approach allows us to be good stewards of the taxpayers' money. The President's recent announcement stands as a good example of this. We are not making an early commitment to large-volume serial production and very large-scale investments. Our fielding commitment will be scaled over time and rise with our confidence that we are on the right development path for this complex, multifaceted system.

Aggressive Research, Development and Test Activities

As we prepare to implement the President's directive, we plan to continue the program's intensive testing activities up to and beyond the 2004-2005 timeframe. We have a single, robust RDT&E program dedicated to the development and demonstration of missile defense technologies and integration concepts. In fact, consistent with our investments over the past two years, the lion's share of the FY 2004 budget request of \$7.7 billion for the Missile Defense Agency, roughly \$6 billion, will support RDT&E activities that are not directly tied to system fielding. Significant development efforts in FY 2004 include continued work on Theater High Altitude Area Defense (THAAD), ABL, and kinetic energy boost-phase interceptors in the post-Anti-Ballistic Missile (ABM) Treaty environment.

These aggressive RDT&E activities are the basis for proceeding as the President has directed and for continuing development work to build a multi-layered BMD system. We will continue our practice of assessing these activities on a regular basis to see if they can be accelerated or whether they must be truncated or modified in some manner. RDT&E activities occurring in FY 2004 will contribute to Blocks 2004, 2006, 2008 and 2010.

We are still evaluating the impact of our withdrawal from the ABM Treaty. The treaty successfully did what it was intended to do. It severely restricted missile defense development and fielding options. The President's action has made it possible to begin to develop and test aggressively the full range of missile defense technologies and pursue capabilities that make the most sense from the standpoints of technology, operations, and cost.

For example, as a result of the treaty withdrawal, Aegis BMD, the sea-based defense element, began its successful participation in GMD integrated flight tests conducted last October and December. While initially only collecting boost and ascent phase radar data, Aegis BMD has begun engineering efforts to become a full participant in future tests and will eventually provide fire control data to the BMD system.

Our intercept tests against long-range ballistic missiles are very complex, yet since October 1999 we were forced to restrict ourselves to the same intercept flight geometries because of artificial constraints in our current Test Bed and our obligation to remain compliant with the ABM Treaty. Today, in order to test our GMD interceptors, we must launch targets from Vandenberg, AFB in California and interceptors from Kwajalein Atoll in the Pacific Ocean. We are changing that. The Test Bed we are building will

introduce flexibility into our test approach and help overcome some basic geographic and geometric limitations by allowing us to test weapons and sensors against ballistic missiles of all ranges along different azimuths and using different trajectories. For test purposes we will introduce variable target launch and impact points and engagement areas.

Robust, realistic testing is absolutely critical to developing an effective missile defense system. Over the past two years we conducted a total of 55 flight tests and 60 ground tests. Seventeen of these tests were flight-intercept tests. Each test builds our confidence in the BMD system. From our flight-testing, we know that the hit-to-kill approach works. We know our sensors can successfully detect and track the target and that our software algorithms can discriminate between reentry vehicles and basic decoys and debris. We know our battle management system can generate orders that put a kill vehicle in a position to achieve intercept. We will continue to refine and improve the system's performance in all areas. Our test program continues to add to our confidence that the basic technologies are sound and that they will work together to provide the nation an effective BMD system.

Our program and budget will continue to maintain a high tempo of increasingly complex ground- and flight-testing. Over the next two years we are planning another 68 flight tests, 58 ground tests, and maintaining the same pace of intercept tests as before. We do system testing to give us confidence that we have the ability to integrate geographically dispersed missile defense elements and components into an effective system. This does not include the many experiments we conduct routinely, the modeling and simulation activity, and the wargame exercises. Our computer predictions are very

valuable in this process and give us a great deal of confidence that we are on the right paths.

We remain committed to our aggressive testing approach, where we mature midcourse, boost, and terminal missile defense components and elements through rigorous testing under increasingly realistic and challenging conditions. When we have adequately demonstrated technologies, decisions can then be made concerning their integration into blocks for fielding. Testing activities remain central to what we do and are well supported within our funding request.

Initial Defense Capabilities

The Congress has already funded plans to put five midcourse interceptors into the test bed in silos at Fort Greely in Alaska, develop Aegis BMD, and test the SM-3 interceptor at the Pacific Missile Range Facility in Hawaii. Other activities are currently underway to improve the missile defense Test Bed by upgrading or developing launch sites (including Vandenberg, AFB), radar sensors, battle management and command and control components, communications terminals and networks, and associated test infrastructure in the United States and the Marshall Islands (including airborne, sea-based, and ground-based data collection assets).

Today we are asking the Congress to authorize funds that will allow us to add to this Test Bed and make it operational by 2004. These initial defense capabilities, fielded over a two-year period, will include ground-based interceptors to counter long-range threats, sea-based interceptors to defeat short- and medium-range threats, additional

PAC-3 units, and early warning and tracking sensors based on land, at sea, in the air, and in space.

Before the President's decision, the FY 2004 President's Budget would have reflected the development of a set of Test Bed capabilities that could have been made operational. Instead of building a Test Bed that might be used operationally, we are fielding an initial defensive capability that we will continue to test. All RDT&E activities will support the initial defense capability, and the system elements and components we field will continue to support RDT&E. Because of the relationship between initial defense capabilities and testing, we are asking that all funding associated with both efforts be under Defense-wide appropriations RDT&E. With the December announcement we have quickened the pace at which we are moving forward, but we have not changed the direction in which we are moving.

We are proposing to do in FY 2004 what we said we were going to do in previous hearings, that is, field tested missile defenses a little at a time using a step approach. The missile defense operations we are proposing are unprecedented, and there still is much to learn. I believe there is tremendous benefit in putting this unprecedented technology into the field, in manageable increments, to provide some defense, to learn more about it, gain experience with it, and improve it over time.

The Israeli Arrow program stands out as an example of how fielding militarily useful capability in block increments and in a timely manner can work and how successful it can be. With only four successful intercept flight tests, Israeli officials declared their first Arrow battery operational on October 17, 2000 and fielded that

country's first capability to defeat incoming ballistic missiles launched from nearby states. The Israeli system has been operational for more than two years now, and during that time it has conducted additional intercept and flight tests to enhance the system's performance. Plans are moving forward to augment it even further. Surrounded by states having an active interest in ballistic missiles, Israel found a way to field a limited defensive capability on an accelerated timeline and at a time when it could not afford to wait for system testing to be completed.

We in the United States, of course, are not strangers to fielding an unprecedented military capability on an accelerated schedule. Our leadership struggled in the early stages of deploying the first reconnaissance satellites and land- and sea-based ballistic missiles. Urgent national security requirements pressed us to deploy capability soon, and through trial and error we did. Despite test failures, the country persevered and made militarily useful capabilities operational. Since that time, we have dramatically improved the capabilities of those first-generation systems. The parallels between these pioneering programs and the missile defense program are clear.

I believe, Mr. Chairman, that we are ready to take this next step in missile defense. Our fielding approach will not only help rationalize the force structure we deploy from the technological and threat standpoints, but also from the standpoint of cost. We do not now have adequate understanding to submit a bill of many tens of billions of dollars for a huge, long-term fixed architecture. We are able, however, to purchase, produce, and field capabilities in small numbers. This approach will allow us to control costs. With a modest investment and increase by the Department of a total of \$1.5 billion spread over

the FY 2004 and 2005 budgets, we will provide this country with militarily useful capabilities where none exists today.

In short, this \$1.5 billion primarily will add a small number of ground-based interceptors as well as more SM-3 interceptors to the test bed capability we are already building. Future fielding decisions, as we have said all along, will be made in the outlying years based on the progress of technology and the evolution of the threat, subject to the annual congressional appropriations process.

Confidence in Initial Defensive Operations

In assessing our level of confidence with the planned initial missile defense capabilities, we have to strike a balance between our desire for perfection in the missile defenses we deploy and our desire to have as soon as possible a defensive capability where none exists today.

Adequate testing is the key to achieving that balance. And while this testing may not fit the mold of classical operational testing that would traditionally take place prior to full-rate production, we do follow a testing discipline that I believe can give us the confidence to say that what we deploy will work as we have said it would under threat circumstances that we believe we might have to face.

I believe that to strike the right balance we must go through an intense period of testing to demonstrate that the technologies on which we are relying can work consistently under conditions that are increasingly stressful and realistic. We have spent the past two years demonstrating the technologies we propose to employ in the Block

2004 Test Bed. We have said all along that when we do field we will not field a system that will fully meet our missile defense needs. We will face limitations and have gaps, let there be no illusions there. The system we are initially fielding will be limited operationally. But we went down this road knowing that there would be gaps and with a process that is specifically designed to fill those gaps and make up for performance limitations as soon as practicable.

Among the limitations that should be included here is that of operational experience. We need to build operational experience over time with the system that will be guarding our nation and our troops. There is no better way to do that than to put basic elements out into the field and to begin working with those assets to develop the doctrine and concepts of operation we will need and to train the military personnel who will operate it.

We have spent significant amounts of money on testing the GMD and Aegis BMD elements of system. All of the tests to date have been what we have called "developmental tests." Regardless of the names we apply to our testing, we must have assets and infrastructure in the field if we are going to begin to test that system under operationally realistic conditions. If we do not have the weapons and sensors fielded at operationally useful locations, we cannot really do a good job of hooking it all up to make sure it works.

The President's decision allows us to put this materiel out in the field for testing, in locations that make sense from an operational point of view. Given the recent events in the international security environment, the President's decision reflects an urgent need

to make that test bed as operational as we possibly can. That decision also recognizes that we will not be fielding the perfect system at the outset.

What we are faced with today is a timing issue. Must we do what has been traditionally called "operational testing" before we can say that we have a capability we can use in an extreme security situation, or can we do both? Can we continue to test the elements and components of a system we also could use to defend ourselves if needed? I believe we can.

Why do I believe that? Because we have shown that the nuts and bolts of the missile defense capabilities we are planning to field in Block 2004 can work. We have had a significant degree of repeatability represented in the tests we have conducted to date, and we are well along in our goal of conducting these tests reliably. We are now to the point where we need to assemble selected missile defense elements into a test bed that will permit operationally realistic testing using different azimuths and trajectories, different launch and target points, and different arrangements in our sensors and weapons. That test bed will allow us to test in different ways so that we can refine our all-too-important battle management and command and control infrastructure. The elements of the test bed also will have some inherent defense capability. We can do operational development testing while having the system on alert. We should take advantage of that.

Our intentions are to test the complete system and to be ready to respond to ballistic missile threats against the United States, our deployed forces, and our friends and allies. We have conducted the rigorous testing needed to give us the confidence that

we are far enough along to do operationally realistic testing in an integrated way. Testing will always be an important part of this system—always. We will always be improving what we have in the field. The budget we have submitted will support the testing required to ensure that the elements of the Block 2004 system we would like to field will adequately serve the defense needs of this nation.

Our RDT&E activities are extensive and are important part of our acquisition approach. Below are three areas of special interest.

BMD System Radar Activity

The MDA's Family of Radar concept is continuous and flexible global detection, tracking, discrimination, and hit assessment. Ideally, we want to be able to watch missile payloads deploy and accomplish prompt and early battle assessment. We are currently pursuing multiple sensor technologies and identifying and developing sensors to give the BMD system the "eyes" it will need. In order to identify the most promising technologies and reduce risk, we are investigating, in parallel, sensor alternatives on land-, sea-, air- and space-based platforms to add robustness to the BMD system and improve opportunities to collect multiple phenomenology on the threat missile or target complex. Evaluations of different sensor and weapon combinations and alternatives will help us assess their overall benefit to an integrated, layered BMD system. An important element in this effort is the mobile Sea-Based X-Band radar (SBX), which we plan to build by September 2005 to greatly improve both testing and our initial defense capability.

The BMDS Radar project, a new activity, is funded in the FY 2004 budget to expand the engagement battle space and assess missile defense concepts of operation that we were not allowed to consider under the ABM Treaty. We will validate the concept of forward-basing and sensor layering and evaluate advanced algorithms using both MDA- and non-MDA-owned sensors. Current plans call for the BMDS Radar to be available for integration into the Test Bed in late 2006. We will support continuous sensor research to improve capabilities and develop advanced algorithms for Block 2008 and beyond.

BMD System Infrared Sensor Activities

The Department restructured the Space Based Infrared System-Low (SBIRS Low) element in FY 2002, renaming it the Space Tracking and Surveillance System (STSS). We will explore new technologies to enhance missile detection, improve reporting on ballistic missile launches regardless of range, azimuth, or launch point, and provide critical midcourse tracking and discrimination data.

The Russian-American Observation Satellites (RAMOS) project is a cooperative effort between the United States and the Russian Federation to improve early warning technologies. RAMOS represents an innovative space-based sensor R&D initiative. We are proceeding towards a joint Preliminary Design Review this summer and expect to conclude the design and development phase in early FY 2005. The United States is actively striving to reach a bi-lateral agreement to conduct activities beyond the design

and development phase. If we are able to move forward with this project, we would launch two satellites in late FY 2008.

BMD System Interceptor Activity

Our longer-term goal is to develop low-cost enhanced interceptors for integration with different platforms to defend against missiles in the boost, midcourse, and exo-atmospheric terminal phases of flight. We are consolidating all next-generation kinetic energy interceptor (booster and kill vehicle) development efforts and placing them under our BMDS Interceptor activity. Relying heavily on existing hardware and proven technology, we will develop a hit-to-kill boost phase capability by Block 2008 and deliver capability enhancements for Block 2010 and beyond.

In FY 2004 we will begin developing a space-based kinetic energy interceptor Test Bed to explore the technological feasibility and operational advantages of engagements from space. This plan is consistent with the Defense Science Board's recommendation, released last August, to establish a comprehensive development program for a space-based kinetic system. Following up on last year's successful experiments to understand key sensor technologies, we will conduct in 2004 a Near Field Infra-Red Experiment to observe from space a boosting rocket. This data will assist in the selection of seeker and sensor technologies for a ground-based boost interceptor and development of interceptor guidance and homing algorithms.

Block Activities and Budget

We are working within the MDA and with the Department's operational community to meet the President's objective to establish an initial defense capability in 2004, which begins with Block 2004. The following describes by block our planned fielding opportunities across the FYDP.

Block 2004

This block continues development and integration of elements, components, and facilities in the Test Bed. Block 2004 RDT&E funding will deliver capabilities directed by the President for operational use in FY 2004-2005. We plan to add different capabilities to point-defense capabilities already provided by PAC-3 units. This initial fielding will grow the RDT&E program and expand the physical infrastructure of the Test Bed.

Funds in this block will enable us to conduct major target and countermeasure development and capability demonstrations, integration tests, and experiments. We are investing in a substantive system test program to test system command, control, and battle management (C2BM) and communications across the elements. The Block 2004 Master Test Plan lays out the strategy for conducting a comprehensive set of integrated and distributed ground- and flight-tests to verify performance and characterize the capability of the system. This test program will form the basis of operational and military utility assessments of the Block 2004 initial defense capability.

We will have three major system integration flight tests, the first of which is a large-scale integration event that tests C2BM and communications during multiple element intercept tests. We plan to demonstrate C2 capabilities and communications among C2 and battle management nodes, weapons, and sensors and to continue work with the Services, Combatant Commands, and the Office of the Secretary of Defense to ensure BMD system interoperability with legacy and planned Department systems and standards.

We are requesting \$3.2 billion in FY 2004 to support RDT&E for fielding Block 2004. Our estimated expenditure for Block 2004 activities across the FYDP is \$6.2 billion (see Table 1).

Table 1: Block 2004 Funding FY02-09 (\$M Then-year)*

Project	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FYDP FY04-09	TOTALS FY02-09
C2BMC Block 2004	21	80	114	79	0	0	0	0	194	295
Hercules Block 2004	0	0	18	27	0	0	0	0	46	46
Joint Warfighter Support Block 2004	0	0	24	13	0	0	0	0	37	37
Test & Evaluation Block 2004	47	57	37	33	0	0	0	0	70	174
Targets & CM Block 2004	75	104	197	170	0	0	0	0	367	647
THAAD Block 2004	808	888	622	635	65	0	0	0	1322	2018
GMD Test Bed Block 2004	636	452	1205	868	0	0	0	0	2073	3161
Aegis BMD Test Bed Block 2004	413	440	648	894	98	0	0	0	1640	2892
ABL Block 2004	454	348	345	150	0	0	0	0	494	1298
TOTALS	2304	2369	3212	2807	65	0	0	0	6249	11085

*Numbers may not add exactly due to rounding.

Boost Elements. We are developing directed energy and kinetic energy boost phase intercept capabilities to create a defense layer near the hostile missile's launch point. We require quick reaction times, high confidence decision-making, and redundant engagement capabilities to counter ballistic missiles in this phase.

ABL is currently under development to acquire, track, and kill ballistic missiles in boost phase using speed-of-light technology. ABL integrates three major subsystems (Laser; Beam Control; and Battle Management, Command, Control, Communications, Computers and Intelligence (BM/C⁴I)) into a modified commercial Boeing 747-400F aircraft. We will continue major subsystem integration and testing activities. Block 2004 activities involve completion of ground-testing, to include first light on the test bed aircraft, first flight of the complete weapons system, and the successful track and high-energy laser engagement of a missile-shaped target board dropped from high-altitude. In FY 2005, we will deliver one aircraft for BMD system integration and testing and demonstrate a missile shoot-down against a boosting threat-representative target.

Midcourse Elements. Midcourse defense elements engage ballistic missiles in space after booster burnout and before the warhead re-enters the atmosphere. The GMD element defends against long-range ballistic missile attacks, and Aegis BMD will counter from the sea medium- and short-range ballistic missiles.

The Department's plans are to add by the end of FY 2004 one more Ground-Based Interceptor (GBI) at Fort Greely in Alaska for a total of six GBIs at that site, and four interceptors at Vandenberg, Air Force Base, for a total of up to 10 interceptors at both sites. The decision to develop two interceptor sites is consistent with our layered approach and operational concept and will allow us to work through critical integration, battle management, and command and control issues early on.

There are a number of other activities we need to undertake in FY 2005. We are asking for appropriations to produce up to ten additional GBIs for fielding at the Fort

Greely site, for a total of sixteen interceptors in Alaska and four in California. We also plan to produce by the end of 2005 between ten and twenty SM-3 missiles for deployment on three Aegis ships converted to the missile defense mission. Because we are starting from a base of zero, each interceptor we field between now and 2005, up to the full complement of twenty ground-based and twenty sea-based interceptors, will increase significantly our overall capability to defend this country, our troops, and friendly countries against long- and medium-range threats.

Included in the Test Bed and as part of the initial missile defense architecture are plans for integrating Early Warning Radars (EWR) at Eareckson AS (the Cobra Dane radar at Shemya, Alaska) and Beale AFB (Upgraded EWR). We will add to this infrastructure multiple fire control nodes and improved lines of communications connecting sites in Alaska and the continental United States using fiber optics and satellites. As you know, the Administration is working to secure allied approval to upgrade and integrate into the BMD system early warning radars currently located in the United Kingdom and Thule, Greenland to view threat missiles launched out of the Middle East. The United Kingdom already has approved the use of the Fylingdales radar. We also plan to build by September 30, 2005 a Sea-Based X-Band Radar (SBX) to improve the testing regime and enhance initial missile defense system performance.

We have made dramatic progress in recent months with the GMD element, including in the areas of silo construction, development of a nationwide communications network, and integrated flight-testing. We have excavated six silos at Fort Greely, seven

weeks ahead of schedule, and we are in the process of constructing and establishing appropriate security for multiple Test Bed facilities at Fort Greely and Eareckson.

By the end of 2005, we will upgrade SPY-1 radars on fifteen Aegis warships for enhanced surveillance and track capability. Three prototype surveillance and track Aegis destroyers will be available starting in 2003; we will modernize additional destroyers for surveillance and track and BMD engagement capability. Two Aegis cruisers in addition to the USS LAKE ERIE, our test cruiser, will receive BMD engagement modifications.

The next SM-3 flight test, scheduled for later this year, will use a reengineered Monolithic Divert and Attitude Control System (MDACS) for the first time in the interceptor's kinetic warhead. MDACS has proved to be more reliable than the previous model, faster to build, and less expensive. Five at-sea flight tests and numerous tracking exercises, including participation in GMD integrated flight-tests, are planned through 2005. Our cooperative research with Japan will continue to enhance the capabilities of the SM-3 interceptor. The focus of that research is on four components: sensor, advanced kinetic warhead, second stage propulsion, and lightweight nosecone.

Terminal Elements. THAAD is designed to be rapidly deployable and protect forward-deployed U.S. and friendly troops, broadly dispersed assets, population centers, and sites in the United States by engaging short- to medium-range ballistic missiles or their payloads at endo- and exo-atmospheric altitudes. THAAD could have more than one intercept opportunity against a target, a layering potential that makes it more difficult for an adversary to employ countermeasures effectively. This terminal defense capability will help mitigate the effects of a WMD payload.

This year we will complete missile and launcher designs, initiate manufacturing of missile and launcher ground test units, and begin testing the first completed radar antenna. We will continue fabrication of the second radar and building the battle manager and launcher test beds. A total of four exo-atmospheric flight tests at the White Sands Missile Range, New Mexico are planned for FY 2004-05.

PAC-3 provides terminal missile defense capability against short- and medium-range ballistic missiles, anti-radiation missiles, and aircraft with a low radar cross-section employing advanced countermeasures. PAC-3 successfully completed initial operational testing last year, intercepting ballistic missiles, aircraft, and cruise missiles. The tests uncovered problems that we have since corrected in collaboration with the Army. We have completed development of the PAC-3 missile and made C2BM modifications to enable PAC-3's integration into the BMD system. We will continue to conduct PAC-3 tests this year. Later in Block 2004 we will demonstrate PAC-3's integration with other BMD system elements.

With the support of Congress, the Department already has accelerated PAC-3 missile production and currently has a plan to increase that production rate to 20 missiles per month in 2005. Given current production plans, by the end of 2005 the PAC-3 inventory will stand at 332 missiles.

The Department is transferring this month PAC-3 procurement and RDT&E funding to the Army, which is reflected in the Army's FY 2004 budget request. The MDA will retain responsibility for defining and testing BMD system interoperability and continue to work with the Army on PAC-3 engineering, development, and testing. The

Department is currently preparing to transfer later this year RDT&E funding for the Medium Extended Air Defense System (MEADS) from the MDA to the Army.

The Arrow Weapon System, developed jointly by the United States and Israel to counter short- to medium-range ballistic missiles, is operational at two sites in Israel and interoperable with U.S. missile defense elements. We worked with Israel to deploy its first two Arrow batteries, and are currently assisting that country to procure a third battery.

The Arrow System Improvement Program, a spiral development upgrade of the current operational system, includes technical cooperation to improve the performance of the Arrow system and test it at a U.S. test range. The first flight test was conducted successfully on January 5, 2003. We continue to support additional Arrow flight-testing to assess technology developments and overall system performance and to collect data and conduct annual hardware-in-the-loop exercises with Israel to enhance interoperability.

Block 2006

Block 2006 work continues to improve existing capabilities and provide new sensors and interceptors for integration with fielded elements. Our focus will be on evolving and integrating the capability to achieve a more synergistic and layered BMD system. We will continue rigorous system and element flight-test demonstration and validation efforts and use wargames to help develop concepts of operation and operational procedures.

We are requesting \$2.2 billion in FY 2004 to support RDT&E for Block 2006.

Our estimated expenditure for Block 2006 activities across the FYDP is \$11.3 billion (see Table 2).

Table 2: Block 2006 Funding FY02-09 (\$M Then-year)*

Project	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FYDP FY04-09	TOTAL FY02-09
C2BMC Block 2006	4	27	53	104	116	0	0	0	273	304
Hercules Block 2006	0	0	19	18	45	45	0	0	127	127
Joint Warfighter Support Block 2006	0	0	0	12	24	12	0	0	48	48
Test & Evaluation Block 2006	1	1	2	9	41	39	0	0	92	93
Targets & CM Block 2006	1	4	32	110	213	172	0	0	526	530
THAAD Block 2006	0	0	109	208	598	498	113	0	1525	1525
GMD Block 2006	2460	2109	1605	1774	1354	1235	0	0	5969	10538
Aegis BMD Block 2006	0	0	24	73	377	299	0	0	773	773
ABL Block 2006	0	0	10	85	150	79	81	55	461	481
BMDs Radars Block 2006	0	0	101	145	134	0	0	0	380	380
STSS Block 2006	55	232	276	285	285	204	75	35	1160	1447
TOTAL	2520	2372	2232	2829	3344	2583	270	90	11333	16225

*Numbers may not add exactly due to rounding.

Boost Elements. We will enhance and test the integration of the ABL aircraft into the BMD system. Candidate enhancements include improvements in BMC4I, interoperability, pointing and tracking, and target engagement. We will continue evaluation of the ABL test aircraft capability against a range of threats. This aircraft will be available to provide an emergency operational capability except for a maximum of six months during FY 2007 when it may undergo modifications and enhancements.

Midcourse Elements. We plan to enhance defensive capability and further develop the Test Bed by maturing hardware and software of all GMD interceptor, sensor, and C2BM components. We will continue our ground- and flight-testing to demonstrate improved weapon and discrimination performance and critical interfaces with external

sensors. We also plan to complete the upgrade of the Thule EWR should we get approval from Denmark.

Aegis BMD flight missions will incorporate remote engagements of targets as well as demonstrations against intermediate-range ballistic missile (IRBM) targets. We will continue development of Aegis BMD sensor discrimination capability. Prototype BMD signal processors will be tested aboard Aegis ships with SPY-1 radar modifications. SM-3 missile deliveries will begin in 2004. Our plans are to build an inventory of up to thirty-five SM-3 interceptors by the end of 2006. Also, if directed, we would prepare to field up to twenty additional SM-3 interceptors in 2007. We will proceed with our cooperative BMD research with Japan to enhance the SM-3. We have two joint flight tests of the advanced nosecone planned in the FY 2005-2006 timeframe, and we will continue to look at possibilities for co-development.

Terminal Elements. The THAAD interceptor begins in the third quarter FY 2006 a series of five flight tests that are scheduled to conclude in first quarter FY 2008. We will improve THAAD's exo-atmospheric and endo-atmospheric endgame discrimination capability against increasingly complex targets.

Sensors. Current plans call for a new forward-based radar in late 2006 for positioning close to the threat at sea or on land. Enhanced forward-based sensor capabilities and improved sensor netting will enable the BMD system to handle threats posing a more difficult discrimination challenge and provide a launch-on-remote capability. A midcourse radar will be added as part of our layered approach. Additional radar configurations will be procured as necessary to satisfy Block 2006 objectives.

Current plans are to launch two low-earth orbit satellites in FY 2007 to validate space-based sensor concepts for target acquisition, tracking, and discrimination and to provide a space node for the Test Bed. STSS will improve in subsequent blocks to provide data fusion, radar/sensor cueing over-the-horizon, and interceptor handover and fire control. Production alternatives will be evaluated at least annually based upon element performance and integrated BMD system performance.

Block 2008

Block 2008 represents a major step in BMD system evolution. We plan to complete multiple layers of weapons and sensors, based on fixed and mobile platforms, to counter a range of ballistic missiles. This block will include C2BM components that enable integrated control of all system assets throughout the battlespace. Primary development projects include adding boost phase weapons to the Test Bed, integrating space sensor platforms, and fusing multi-sensor discrimination products. We will integrate capability-based targets and payload suites (to include new and more complex countermeasures) into our system testing to demonstrate effectiveness against evolving threats.

We are requesting \$572 million in FY 2004 to support RDT&E for Block 2008. Our estimated expenditure for Block 2008 activities across the FYDP is \$16.3 billion (see Table 3).

Table 3: Block 2008 Funding FY02-09 (\$M Then-year)*

Project	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FYDP FY04-09	TOTAL FY02-09
C2BMC Block 2008	0	0	1	12	27	144	145	147	476	476
Hercules Block 2008	0	0	19	17	17	17	62	60	192	192
Joint Warfighter Support Block 2008	0	0	0	0	0	12	29	31	71	71
Test & Evaluation Block 2008	0	0	1	1	4	13	85	87	190	190
Targets & CM Block 2008	0	0	0	57	77	68	239	253	694	694
THAAD Block 2008	0	0	0	0	237	227	369	300	1134	1134
GMD Block 2008	0	0	0	0	0	0	878	877	1756	1756
AEGIS BMD Block 2008	0	0	0	116	186	322	470	386	1481	1481
ABL Block 2008	11	237	256	402	582	561	366	267	2435	2435
BMDs Radars Block 2008	0	0	0	0	0	136	102	22	261	261
STSS Bk 2008	0	0	0	0	0	82	177	89	348	348
BMDs Interceptor Block 2008	54	100	290	529	1013	1562	1939	1890	7229	7323
TOTAL	65	337	572	1134	2140	3146	4852	4408	16266	16649

*Numbers may not add exactly due to rounding

Boost Elements. ABL will integrate new technologies to improve performance and lethality and enhance operational suitability. We will continue development of promising technologies for insertion into Block 2008 and beyond and design and develop a system-level ground-test facility for ABL. We plan to test a second ABL aircraft in the Test Bed during Block 2008.

Plans also are to develop and integrate a mobile ground-based boost phase hit-to-kill capability into the Test Bed for flight-test demonstration. We will initiate a space-based test bed development to determine the feasibility of intercepting missiles from space. Initial on-orbit testing would commence with three to five satellites in Block 2008.

Midcourse Elements. We will conduct up to three GMD flight-tests annually to demonstrate advanced engineering and pre-planned equipment improvements for the boosters, interceptors, early warning and fire control radars, and C2BM and communications software builds. We plan to enhance the Aegis Weapons System

AN/SPY-1 radar to improve discrimination for engaging both unitary and separating targets. We will assess GMD integration with the BMDS Interceptor and also test the interceptor on board an Aegis warship.

Terminal Elements. We will complete the development and testing of the THAAD weapon system. We are planning up to eight developmental and operational-type flight tests to stress interceptor, radar, and C2BM performance in realistic scenarios that include advanced countermeasures.

Sensors. Our work will build on the initial BMDS Radar configuration and conduct sensor research to improve capabilities and develop advanced algorithms. We will improve Family of Radar coverage, performance, and flexibility and address vulnerability within the context of the overall BMD system global sensor network. STSS operations will continue to be integrated with other BMD elements in the Test Bed and support enhanced C2BM development initiatives. STSS will demonstrate the ability to acquire, track, and discriminate midcourse objects with space-based infrared sensors.

Block 2010

Work in this block will continue spiral development projects for weapon and sensor improvements and platform integration. C2BM and communications improvements will enable highly resolved sensor data to be exchanged with all BMD system elements.

We are requesting \$24 million in FY 2004 to support RDT&E for Block 2010.

Our estimated expenditure for Block 2010 activities across the FYDP is \$4.7 billion (see Table 4).

Table 4: Block 2010 Funding FY02-09 (\$M Then-year)*

Project	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FYDP FY04-09	TOTALS FY02-09
AEGIS BMD Block 2010	0	0	0	0	0	8	104	145	257	257
STSS Block 2010/2012	179	55	24	44	232	565	750	1065	2680	2914
BMDS Interceptor Block 2010	0	0	0	0	97	146	585	974	1803	1803
TOTAL	179	55	24	44	329	719	1439	2184	4740	4974

*Numbers may not add exactly due to rounding

Boost Elements. Block 2010 activities will improve exo-atmospheric BMDS Interceptor performance and enable greater basing mode flexibility, to include possible adaptation to sea-based platforms. We will develop and test an advanced space-based test bed to augment or replace the Block 2008 space-based test bed.

Midcourse Elements. We will continue flight-testing improved weapon and sensor components and work toward the integration of an advanced BMDS Interceptor. Aegis BMD will incorporate prior block developments into the Navy-developed next-generation, open architecture Combat System.

Terminal Elements. THAAD will integrate proven technologies to enhance its capability against longer range and faster ballistic missiles without sacrificing existing mobility and performance. Fielding and survivability upgrades also are planned to demonstrate a capability against both IRBM and ICBM threats.

Sensors. New technologies will be inserted into subsequent STSS blocks to provide precise threat tracking and improved discrimination. We will develop and launch

a satellite with improved sensors integrated into the first common satellite bus, and develop and integrate advanced ground station equipment and software. The Block 2010 STSS will deliver a space-based capability to acquire, track and discriminate ballistic missiles based on larger aperture track sensors, increased vehicle lifetime, and increased, near-real-time on-board data processing. The funding also includes launch services for Block 2010 satellites. C2BM funding focuses on integrating STSS data into the sensor net.

Mission Area Investments

Our Mission Area Investments are investments common to the entire BMD system that enable us to implement over time our block fielding approach. Mission Area Investments maintain core development and testing infrastructure and facilitate the integration of future block capabilities. The President's Budget requests \$1.69 billion in FY 2004 for these investments. This program activity accounts for about \$11.3 billion, or just over 20% of the total funding estimate across the FYDP. Table 5 provides a detailed breakdown of funding for each investment activity.

Table 5: Mission Area Investments Funding FY02-09 (\$M Then-year)*

Investment Activity	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FYDP FY04-09	TOTALS FY02-09
System Engineering	236	397	436	474	501	510	580	578	3079	3713
C2, BM & Communications	16	16	119	125	178	201	204	218	1045	1075
Test & Targets	359	332	338	332	328	352	316	333	1998	2888
International Programs	211	205	148	215	129	100	89	89	769	1188
Advanced Concepts	347	176	388	418	363	437	524	534	2664	3187
Program Operations	232	170	264	252	283	306	317	333	1754	2188
TOTAL	1400	1296	1882	1817	1783	1904	2029	2083	11308	14003

*Numbers may not add exactly due to rounding

The significant Mission Area Investments are as follows:

System Engineering

The System Engineering activity defines, manages, and integrates the layered BMD system. Capability-based acquisition requires continual assessment of technical and operational alternatives at the component, element, and system levels. Our system engineering process assesses and determines system design and element contributions and the impact of introducing new technologies and operational concepts to ensure properly synthesized system blocks. These activities provide the technical expertise, tools, and facilities to develop the BMD system and maintain an intelligence and research capability to ensure that the system evolves in a way that is responsive to known and anticipated threats.

We are increasing our focus on risks related to producibility, manufacturing, quality, cost, and schedule of the BMD system elements. We dedicate resources to examine the applicability of technology to system needs and transition readiness. Industrial and manufacturing investment strategies for achieving system affordability and facilitating insertion of successive new capabilities are increasingly vital to the program.

Command and Control, Battle Management & Communications (C2BMC)

Our activities related to C2BMC create interoperability among a wide variety of legacy systems and emerging elements over joint and coalition networks. The C2BMC activity will continue development and integration of the C2BM and communications functions for the BMD system. By fielding software development spirals that improve

system synergism, integration capability, and interoperability with external systems, this activity expands the inherent C2BM capabilities of fielded terminal, midcourse, and boost defenses. Communications funding will develop and improve BMD system-wide communication links and sensor netting functions to enable enhanced early warning and quicker interceptor response times. The Joint National Integration Center (JNIC) provides a common environment for the BMD elements to conduct experiments, demonstrations, and exercises and is a key-operating C2BM component of the Test Bed.

BMD Tests & Targets

The missile defense program includes significant test and evaluation infrastructure, test execution capabilities, and analytical tools for program-wide use. The Agency conducts risk reduction, developmental, and operational element and component testing as well as tests to collect critical measurements, such as plume signatures. We also have a rigorous measurements test program to collect data in support of design, development, and engineering activities. Measurements from dedicated test events and targets of opportunity enable us to design components, characterize potential countermeasures, test algorithms, undertake lethality and kill assessment, and validate our critical models and simulations.

Investments providing ballistic missile targets, countermeasures, and other payloads support our test objectives. Presentation of the targets and payloads for flight test events involves designing, prototyping, developing, procuring, certifying, and

qualifying for testing. In FY 2003 we will establish a single prime contractor to further enhance system level management of targets and countermeasures activities.

In FY 2004 we will continue to resource critical test facilities, launch capabilities, instrumentation, telemetry, communications, and safety systems underpinning our testing regime. With the enhanced realism of the Test Bed, the increasing complexity of our tests, and the escalating tempo of test activity, our investments in this area will emphasize flexibility, standardization, and mobility.

International Programs

The President has underscored the importance of working with other countries to develop missile defenses and provide protection against ballistic missile threats. We are building defensive layers that could potentially involve a variety of locations around the globe and probably involve many other countries. Last summer interagency teams briefed key allies on the international participation framework. Today we are well along in our discussions with several governments regarding their possible participation in the missile defense program and improvements in our industrial relationships.

Advanced Concepts

We have several Science and Technology (S&T) initiatives to increase BMD system firepower and sensor capability and extend the engagement battle space of terminal elements. In FY 2004, we will continue to focus on the Miniature Kill Vehicle (MKV) project, which could lead to a flight-test in FY 2005. FY 2004 funding will support investigating Early Detection and Tracking (ELDT) technology, Laser/LADAR

technologies for improved tracking, weapon guidance, and imaging, and technologies for a space-based, high-power laser. While our S&T activities are not on a critical path for insertion into the BMD system, each one of them is being considered for their block enhancement value.

Program Operations

Our Program Operations expenses are primarily for government personnel performing management support activities, contractors that assist in performing these activities, and O&M-like costs associated with operations and maintenance at numerous facilities around the country, supplies and equipment, communications and printing, travel and training, and information technology management.

Management and Oversight

The missile defense program uses an acquisition approach tailored to the unprecedented nature of the technology involved in missile defense. We will continue to work very hard to ensure that the program has adequate management and congressional oversight. There is an improved process in place within the Department that preserves management, technical, and financial oversight by cognizant authorities on the Senior Executive Council and the Missile Defense Support Group. Senior warfighters, including the Joint Requirements Oversight Council, have reviewed missile defense objectives and will continue to do so several times a year. Internally we have in place configuration management procedures, and we produce on a regular basis the necessary threat, system, and configuration control documentation to ensure that our activities continue to support

our development and fielding objectives. As directed in the 2002 and 2003 Defense Authorization Acts, we have identified cost, schedule, testing, and performance goals and developmental baselines in the President's FY 2004 Budget justification materials and shown clear linkages between the Agency's budget and key performance measures.

Closing

Mr. Chairman, we are on track with our missile defense program. We know that the technology fundamental to the current generation of missile defenses works. We have demonstrated many times over the past two years that we can collide with a warhead and destroy it. We have the confidence to proceed with plans for an initial defense capability. A few years ago, I could not have said this to the American people. Today I can. We will build confidence in the system over time as we invest in the program.

We also recognize that we have much more work to do to improve the BMD system. The architecture we have in 2004 and 2005 will probably be very different a decade later, depending on how our RDT&E efforts proceed. Our objective continues to be one of improving missile defense capability over time. We have made considerable progress in missile defense over the past three years. With the President's direction, and with your approval of our budget request, we will take another important step on that long road before us.

Thank you, Mr. Chairman.

**Statement by
Thomas P. Christie
Director, Operational Test and Evaluation**

**Before the
House Armed Services Committee**

Missile Defense

March 20, 2003

**For Official Use Only
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Committee on Armed Services
U.S. House of Representatives
HASC – March 20, 2003**

Mr. Chairman, Congressman Skelton, members of the committee, I appreciate the opportunity to appear before you today and discuss operational testing issues involved with building a missile defense test bed that may also have some inherent defensive capability. Let me emphasize that I strongly support building this test bed as a means of conducting more realistic ballistic missile defense testing. It will provide us with an excellent capability to test the integrated Ballistic Missile Defense System against more challenging targets under more realistic flight conditions. Designed to accomplish this testing mission, this test bed may have some capability to defend against an actual threat in a real attack, depending, of course on certain assumptions about intelligence of an imminent attack and the positioning of sensors to acquire, track and target the threat. Regardless of what this initial collection of equipment, communications, and personnel is called, the fact remains that we must build this test capability and put it in the field before we can test the system. It is also prudent to develop operational concepts, and train personnel in concert with the test bed's development, so that whatever inherent capability exists in the testing infrastructure could be employed to defend the United States in the event of a ballistic missile attack.

I understand and share the concerns raised by members of Congress with the precedent of fielding operational systems without adequate operational testing. Some have suggested that the department is requesting a waiver from operational

testing for the BMDS system. Let me take a moment here to discuss my assessment of this situation.

The Missile Defense Agency is proceeding with a design and development strategy that is very proactive when it comes to testing. General Kadish has adopted a mission assurance philosophy that treats test instrumentation as mission critical equipment. My staff and I are involved on a daily basis with the Missile Defense Agency and the program managers for the Ballistic Missile Defense System elements, reviewing test plans, participating in planning meetings, witnessing tests, providing coordinated advice to the Director, and responding in written reports to Congress on the adequacy of the testing programs. I have access to all the information I need to fulfill these responsibilities.

I have completed my assessment of the PAC-3 Initial Operational Test and Evaluation test results, which is documented in a classified Beyond Low Rate Initial Production report, provided last November to the Congress. I have also completed and submitted to the appropriate committees of the Congress, my annual assessment of the MDA testing programs, required by House report 107-333. In that report, I conclude that the Ground-based Midcourse Defense element of the BMDS in essence has not yet demonstrated operational capability. This conclusion, which I believe MDA agrees with, is based on the fact that many essential components of GMD have not yet been built. We cannot test the system

without these critical components, and we cannot test it realistically without the test bed.

This was illustrated recently, when the exoatmospheric kill vehicle (EKV) failed to separate from the booster in Integrated Flight Test -10 or IFT-10. MDA subsequently restructured the flight test program, eliminating further testing with the old booster system. This decision considered the poor performance of the legacy booster system and the risks of diverting booster developers from the objective booster design effort, compared with the advantages of gathering additional data from those flight tests.

Beginning later this fiscal year and prior to the 04 decision, testing will resume with a test flight for each of the candidate boosters and a risk reduction flight for a target launched from Kodiak. Intercept testing will continue in IFTs-14 and 15, flown with the new boosters. This is followed by integration ground testing of the test bed and a system test readiness review. Current plans also call for three more intercept flights for the Aegis Ballistic Missile Defense prior to the end of fiscal year 2004, with the last flight conducted against a separating threat. Additional flight testing beyond this point is still being planned. The purpose of the test bed is to establish a baseline capability, to realistically integrate and test the components of the BMDS, and to enhance capability incrementally, through block development.

The real challenge is to develop an operational concept for using the test bed that integrates components of the BMDS as they become available, in order to evaluate the operational capability of the system and defend against a ballistic missile attack if so needed. If we don't develop an operational concept and an attack does come, then we will have failed in a most serious way. On the other hand, if an effort to refine an operational concept for an interim system significantly distracts us from building the objective system in an expeditious fashion, then we risk similar failure against more sophisticated threats down the road.

Defense from the test bed is a serious matter that will demand the focused attention of the developers, the testers and the users. We will need to work together with a common understanding of what we are building to achieve this goal.

While the test bed is a research and development system, this does not preclude us from addressing operational test and evaluation issues. In fact, it is common for systems in development to combine developmental and operational test objectives. The test bed, including missiles, will provide an early opportunity to acquire valuable ground test data on intra- and interoperability between the command and control center and the silo/missile complex; on the system and missile health and status or built in testing capability; and on system safety, reliability, maintainability and logistics supportability. It will also permit us to get an early start on collecting data on aging effects on the missile. Availability of this

data will permit lessons learned from the test bed to be considered in improving the objective Ground-based Mid-course Defense system.

Every major GMD ground and flight test, both prior to and after the '04 test bed is available, formally addresses both DT and OT objectives consistent with the maturity level of the system. The Service Operational Test Agencies have approximately 35 personnel dedicated to planning the details of the operational test portions of the ground and flight tests, and for analyzing and reporting relevant operational test data. My staff is working with the Operational Test Agencies to define independent evaluation plans for the operational test activities. I will review and approve these Operational Test and Evaluation plans and their associated data requirements. I will review and comment on plans for developmental tests, exercises, simulations, and experiments that will produce the data to feed the evaluation process. I will use both developmental and operational test data as the basis for my operational assessment, for advising General Kadish, and as the basis for my annual assessment.

Let me wrap up my remarks by briefly covering the Patriot PAC-3 program. This is the first BMDS element to go through a procurement milestone under the new capability based acquisition philosophy. I concluded in my Beyond Low Rate Production report submitted last October that the missile shows significantly improved performance against some tactical ballistic missile threats.

The Defense Acquisition Board approved a limited purchase of PAC-3 missiles, consistent with programmatic objectives, such as developing production capacity and unit cost considerations, and urgent military needs. This puts an improved, proven capability in the field well ahead of when a completely demonstrated objective capability will be available. MDA originally planned for future blocks of the PAC-3 system to stay in research and development, transitioning to the Army only after each block went through further developmental and operational testing.

However, MDA took the advice of myself and other missile defense support group members, to keep the development and testing activities in a combined DT/OT mode. The entire PAC-3 program is being transitioned to the Army. This decision avoids conflicting development objectives between missile defense and air defense mission needs. The program office has developed a robust follow-on test program to address maneuvering ballistic missile targets, countermeasures, and air defense targets.

Mr. Chairman, Ladies and Gentlemen, my staff has worked diligently with General Kadish's staff to build what I feel is a very effective relationship. I will continue to work closely with General Kadish to ensure that the mission of the test bed, as a test bed, is kept in perspective. General Kadish and I have discussed taking advantage of the data gathering opportunities that the test bed will provide. I am working with the Service operational test agencies to identify data

requirements for an operational evaluation plan that I will review and approve. I will continue to monitor planning and testing activities to ensure that we test as realistically and thoroughly as we can, advise the Director, MDA of operational testing concerns, and report my assessments of progress to the Secretary and to you.

This concludes my opening remarks and I welcome your questions.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 20, 2003

QUESTIONS SUBMITTED BY MR. SPRATT

Mr. SPRATT. Is the targeted burnout velocity 6 km/second? If so, isn't this the same velocity as the Lockheed booster for the GMD program? If so, how "mobile" can you make such a booster?

General KADISH. There is no defined burnout velocity for the booster. This is a capability-based program; the contractors will propose the military utility they can achieve against the target set as soon as practical. The interceptors' tactical mobility should be comparable to THAAD with fewer interceptors per launcher and larger mobile platforms.

Mr. SPRATT. How much funding is in the FYDP, by year, for the space-based effort of this PE?

General KADISH. Current Space Based Test Bed Funding Profile as follows:

(\$M)	FY04	FY05	FY06	FY07	FY08	FY09
	14.0	119.464				

Mr. SPRATT. Does a KV exist that can distinguish between a booster's plume and the body of the booster itself? If so, provide information about it, including manufacturer. If not, provide estimated funding and development schedules to develop this KV, including specific funding and development timelines on the seeker.

General KADISH. [The information referred to is classified and retained in the committee files.]

Mr. SPRATT. Would a land-based booster with a 6 km/second burnout velocity be in a position to intercept all possible launches at all possible trajectories from Iran, Iraq, and North Korea to the United States? If so, where do you assume the interceptor is based? If not, which trajectories (east, west, over the pole and from what regions of these countries) pose problems?

General KADISH. [The information referred to is classified and retained in the committee files.]

Mr. SPRATT. Can the sea-based X-band radar support operational needs (esp. for North Korea) while simultaneously supporting flight test requirements? If not, would a second X-band radar better provide 24/7 operational coverage?

General KADISH. The SBX is capable of supporting both test events and operational contingencies. There is nothing in the design or concept of operations (CONOPS) for SBX that would preclude such a transition. Change from a test to an operational state would not require reconfiguration of equipment. Emerging CONOPS for GMD contemplates varying states of readiness based on guidance from the Combatant Commander (STRATCOM, in our case). One of the key siting factors for determining Primary Support Base (PSB) location is the ability to support operational engagements from the PSB. However, when away from the PSB supporting an integrated flight test, as readiness levels increase, the GMD system, and by extension the SBX, changes focus from testing to meeting operational requirements. This will result in the SBX moving away from optimal testing areas into those better suited for fulfilling the operational mission. Repositioning time is heavily dependent upon the location of the SBX when the order to support a contingency operation is received.

A second SBX could certainly provide enhanced coverage, mitigate for threat uncertainties, and increase battlespace with more flexibility than could a land-based XBR, but has not been requested in our budget.

Mr. SPRATT. Compare the Cobra Dane performance to an X-band radar in terms of supporting the initial GMD capability to intercept a North Korean launch of 1, 2, and 5 missiles. Assume in one case a sequential firing and in the other simultaneous launch of the 2 and 5 missiles.

General KADISH. [The information referred to is classified and retained in the committee files.]

Mr. SPRATT. Do you plan to flight test out of Kodiak Island? If not, why not? If so, has there been any delay in getting Kodiak either configured or approved (NEPA in particular) for flight testing?

General KADISH. Currently, we plan to begin launching targets from the Kodiak Launch Complex (KLC) in 1Q FY 2004. This test, IFT-15A, was formerly known as Radar Certification Flight-1 (RCF-1) and has now been rescoped as a system-level test, with a simulated intercept, exercising GMD and other BMDS elements.

Planning for the GMD Test Bed Block 2006 includes potential upgrades to launch dual GMD interceptors from Kodiak. Planning (including environmental analysis) for Kodiak to launch dual interceptors and targets remains in the program.

Mr. SPRATT. How much can Aegis BMD fill in for the mission requirements of the canceled Navy Area system? Can the 2005 flight test to test lower engagement altitudes be accelerated with additional 2004 funding? If so, how much?

General KADISH. Aegis BMD can counter the longer range threats from the former Navy Area TBMD-threat set, those that remain exo-atmospheric for sufficient time to enable an SM-3 engagement. Since submission of the FY 2004 President's Budget, the SM-3 low-exoatmospheric flight has been accelerated to FY 2004. This was made possible by the \$30 million provided from the Sea-based Terminal (SBT) FY 2003 request that was transferred to Aegis BMD in the FY 2003 Appropriation.

Mr. SPRATT. What is the capability of the SPY-1 radar to detect and track an unexpected ballistic missile launch? what is the range, and is it dependent upon weather conditions?

General KADISH. An Aegis ship conducting normal anti air warfare (AAW) radar searches would have a limited ability to detect an unexpected ballistic missile launch. The focus of Aegis BMD Block 2004 development has been on upgrades to the SPY-1 radar to improve the capability of the radar against ballistic missile threats, to support both engagement of SRBMs and MRBMs by the SM-3 and engagements of longer range threats by other elements, such as Ground Based Mid-course Defense. To give an accurate answer for the question concerning range (other than to say "several hundred miles"), many factors would need to be discussed, which would necessitate a classified response. Weather conditions have only a minimal impact on the S-band radar that Aegis radar uses.

Mr. SPRATT. What are MDA's plans to complement the SPY-1 radar for the BMD mission? If there are no definitive plans, when will a path be chosen and is there funding in the budget for it?

General KADISH. The SPY-1 radar is considered part of the full complement of sensors in the layered sensor concept for the Ballistic Missile Defense system (BMDS). System studies are ongoing and will continue to define all sensors' roles in the BMDS, including SPY-1. Funding will be identified should modifications be warranted.

Mr. SPRATT. What is the projected operational capability of the second ABL plane to handle ballistic missiles with ranges of 400 kilometers or less?

General KADISH. [The information referred to is classified and retained in the committee files.]

Mr. SPRATT. Why are there such long delays between the first, second, and third planned flight tests? Is there any way to accelerate these tests? If so, please describe and identify any required FY04 funding.

General KADISH. The time period between flight 1 and flight 2 is approximately 3 months. This time is necessary to do the necessary data analysis on the THAAD interceptor and effect any resulting corrective actions prior to flight 2. Flights 1 and 2 are missile control test flights that focus on missile performance and will not have the entire THAAD element integrated and participating. The time period between flight 2 and 3 is approximately 7 months. Flight 3 will incorporate the results of the first two flights and will be the first test of the entire THAAD element. Additional time is necessary to integrate and verify the THAAD element's performance on the White Sands missile Test Range (WSMR) for the first time.

Mr. SPRATT. Both Aegis BMD and the GMD system are being deployed prior to being tested against a threat representative target. Why are there no plans for a contingency THAAD deployment?

General KADISH. It is a matter of missile inventory available for contingency operations. As currently planned, THAAD will not have a spare missile available until the fourth test flight (4QFY05).

QUESTIONS SUBMITTED BY MR. BARTLETT

Mr. BARTLETT. A robust missile defense requires very high levels of accuracy and lethality especially when it defends against weapons of mass destruction. One obvi-

ous solution is a proximity blast in addition to or instead of hit-to-kill. Hi-Therm materials increase kill probability, while reducing size and cost. Have you considered Hi-Therm material as a substitute for the metal you currently use?

General KADISH. MDA is still conducting research on Hi-Therm Materials through a current contract with General Sciences, Inc. of Souderton, PA. The results of this research will allow MDA to evaluate further the suitability of Hi-Therm Materials for future BMD interceptor designs, and determine whether these materials offer any possible improvement over existing designs.

Mr. BARTLETT. A robust missile defense requires very high levels of accuracy and lethality especially when it defends against weapons of mass destruction. One obvious solution is a proximity blast in addition to or instead of hit-to-kill. Hi-Therm materials increase kill probability, while reducing size and cost. If you have not focused on Hi-Therm Materials, why not?

General KADISH. MDA is a currently conducting research on Hi-Therm Materials.

Mr. BARTLETT. A robust missile defense requires very high levels of accuracy and lethality especially when it defends against weapons of mass destruction. One obvious solution is a proximity blast in addition to or instead of hit-to-kill. Hi-Therm materials increase kill probability, while reducing size and cost. Since this metal is not an explosive in the usual sense, its use would not appear to violate the hit-to-kill philosophy.

General KADISH. As we see it, use of this material would not require us to change from a hit-to-kill protocol. Analysis has shown that the amount of energy generated by the current kill vehicle design during impact is more than adequate to destroy our threat set.

QUESTIONS SUBMITTED BY MRS. JO ANN DAVIS

Mrs. DAVIS OF VIRGINIA. Cancellation of our Navy Area Wide program has concerned me with respect to where we are going with our surface combatants. Could you explain to us what your future plans are in this area? Specifically, could you explain to us the differences in capabilities that LCS and DDX will have in this regard?

General KADISH. This question should be referred to the Navy. Design and development of future surface combatants is a service function. The Missile Defense Agency will provide support to the Navy as required.

Mrs. DAVIS OF VIRGINIA. Cancellation of our Navy Area Wide program has concerned me with respect to where we are going with our surface combatants. Could you, in general terms explain where you are in drafting your concept of operations for future surface combatants and missile defense?

General KADISH. This question should be referred to the Navy. Development of the concept of operations for future surface combatants is a service function. The Missile Defense Agency will provide support to the Navy as required.

Mrs. DAVIS OF VIRGINIA. Cancellation of our Navy Area Wide program has concerned me with respect to where we are going with our surface combatants. What do you believe to be the largest area of risk with respect to program development within MDA?

General KADISH. Evaluation of the way ahead regarding a sea-based terminal ballistic missile defense capability is still in progress. In March 2003, the Navy, in coordination with the Joint Staff and the Missile Defense Agency, completed a study of the requirements and options to develop a sea-based terminal missile defense capability. The Department is currently reviewing the results of this study. We continue to assess program development risks associated with all potential options. At present, we cannot quantify risk levels.

Mrs. DAVIS OF VIRGINIA. Cancellation of our Navy Area Wide program has concerned me with respect to where we are going with our surface combatants. How can we be of assistance to you in reducing risk exposure?

General KADISH. In March 2003, the Navy, in coordination with the Joint Staff and the Missile Defense Agency, completed a study of the requirements and options to develop a sea-based terminal missile defense capability. Results of this study are currently under review by the Department and assessment of risks associated with all potential options is ongoing. Once the Department's review has been completed and future steps in developing and fielding of a sea-based terminal defense capability have been determined, the Missile Defense Agency will be able to address risk exposure and risk mitigation options.

Mrs. DAVIS OF VIRGINIA. South Korea announced that North Korea's anti-ship missile that was fired last week failed to hit its target. Do you believe these missiles present a real threat?

Mr. CHRISTIE. Anti-ship missiles present a real threat to surface ships whether launched from aircraft, submarines, surface ships, or coastal defense sites. In the case of short-range anti-ship missiles, the best defense is to stay beyond their maximum effective range. Aegis cruisers and destroyers have the capability to detect, track, and successfully destroy such short-range anti-ship missiles, thereby providing either self-defense for them or area-defense for other ships located nearby.

Mrs. DAVIS OF VIRGINIA. South Korea announced that North Korea's anti-ship missile that was fired last week failed to hit its target. Where are we in our development of future defenses for these types of missiles?

Mr. CHRISTIE. The Aegis ships weapon system capability against most current anti-ship missiles is advanced. For non-Aegis ships such as aircraft carriers and amphibious warfare ships, their self-defense capability is being upgraded through incremental development. Escorting Aegis ships currently provide defense for non-Aegis equipped surface vessels.

Mrs. DAVIS OF VIRGINIA. Secretary Aldridge, the Joint Theater Air and Missile Defense Organization (JTAMDO) is responsible for overseeing the development of defenses against cruise missiles. To my knowledge, there is no active program under JTAMDO that oversees the development of defenses against sea-skimming cruise missiles for our ships.

- Do you believe this is a function best left in the hands of the Navy? (Question 3)
- Would you encourage JTAMDO to get involved in this area of research? (Question 4)
- Or, is this something we even need to be concerned about? (Question 5)

Secretary ALDRIDGE. (Answer to Question 3) Yes defense of ships against sea-skimming cruise missiles has been a mission of the Navy for well over 30 years. Requirements are well established, operational concepts are in place, defensive systems are deployed in the fleet, and tactics, techniques, and procedures are constantly being refined. The Navy will continue its active leadership of ship defense against anti-ship cruise missiles.

(Answer to Question 4) JTAMDO, in cooperation with the Combatant Commanders and Services, is responsible for planning, coordination, and oversight of the air and missile defense mission, through development of joint operational concepts and architectures and through assisting warfighters define their requirements. Ship defense against anti-ship cruise missiles (ASCMs) is, by definition, included in that broad mission area. JTAMDO is the advocate for a joint approach for defense against all airborne threats (including cruise missiles), regardless of their intended target (land-attack or ship-attack). JTAMDO is working toward an integrated architecture wherein all air and missile defense systems support, and can take advantage of, the ASCM defense architecture.

(Answer to Question 5) Anti-ship cruise missiles (ASCMs) are a real and growing threat of concern to the Department. We estimate that there are over 100 current, developmental, and planned ASCMs of varying capabilities, and they represent the most stressing threats to ship defense systems. The Navy continues to invest heavily in systems designed specifically to counter the threat, such as the Extended Range Active Missile, Evolved Sea-Sparrow Missile rolling Airframe Missile, Cooperative Engagement Capability, and Nulka active ship-launched decoy. The Department will continue efforts to counter this growing threat.

Mrs. DAVIS OF VIRGINIA. Do you believe that proliferation of cruise missile technology requires an aggressive approach in our counterproliferation strategy?

Secretary CROUCH. The proliferation of nuclear, chemical, and biological (NBC) weapons and their delivery systems, to include cruise missiles, continues to pose a threat to U.S. national security interests. DOD has worked aggressively to develop an integrated approach prevent, rollback, and respond to the proliferation of NBC weapons.

The 2002 National Strategy to Combat WMD contains three pillars: Counterproliferation To Combat WMD Use; Strengthened Nonproliferation to Combat WMD Proliferation; and Consequence Management to Respond to WMD Use. Within DOD, efforts have been made to strengthen multilateral regimes and international cooperation arrangements to prevent the proliferation of these systems and their technologies. We have also worked to improve arms inspection efforts by developing and improving the tools used by arms inspectors.

We have strengthened our counterproliferation efforts through the institutionalization of programs designed to improve the NBC defense capabilities of our armed forces so they may survive, operate, and win in a NBC environment. We continue our efforts to develop missile defense technologies, and to advance our cooperative threat reduction program as a means to rollback NBC capabilities and prevent their

proliferation to other nations. We are also focusing on the internationalization of these programs to encourage friends and allies to improve their own NBC defense capabilities against these threats.

Finally, DOD is working within the interagency to ensure we can respond to the consequences of WMD use on U.S. territory, or U.S. forces abroad, as well as to assist friends. DOD will continue to advance our counterproliferation goals and programs to meet this challenge.

Mrs. DAVIS OF VIRGINIA. Could you share with us what some of the regional threats are with respect to cruise missile proliferation?

Secretary CROUCH. Land attack cruise missiles (LACM) are unmanned, armed aerial vehicles designed to attack a fixed or mobile ground-based targets. By flying low throughout much of their flight profile, cruise missiles are harder to detect than many other weapon systems and are, therefore, highly effective and difficult to defend against. As such, cruise missiles have become increasingly attractive to many countries because of their utility and cost effectiveness.

Several LACMs are marketed actively at international arms shows, but the only confirmed agreement to sell to date has been the BLACK SHAHEEN missile, an export version of the French SCALP-EG missile, to the United Arab Emirates (the missile has not, however, yet been transferred). Other LACMs observed at such shows include:

- APACHE-AP and SCALP-EG—France
- KEPD-350—Germany/Sweden/Italy
- POPEYE TURBO—Israel
- MUPSOW and TURGOS—South Africa
- STORM SHADOW—United Kingdom

Russia has several LACMs in its inventory, including the AS-4, AS-15 and SS-N-21, but Moscow has not advertised or sold these missiles at arms shows. The Russian press advocates sales of a new conventionally-armed LACM that is under development.

China is developing its own LACMs, but they are not yet operational.

States of proliferation concern, such as Iran, Syria, and Libya, may actively pursue LACMs in the future.

Mrs. DAVIS OF VIRGINIA. How does the budget address the needs of our counterproliferation strategy within BMD?

Secretary CROUCH. Missile defense is a key element, but only one element, of our comprehensive counterproliferation strategy to deal with the threat from the proliferation of WMD and ballistic missiles. In its FY04 budget request, the Department has requested a total of \$9.4 billion for missile defense activities. The types of missile defense capabilities we are developing will be capable of protecting the U.S. its deployed forces, and friends and allies against missiles of all ranges. Furthermore, missile defense can help reduce the proliferation of offensive missiles by reducing their value, and thereby reduce the demand for them. In this way defenses will provide another useful complement to our non/counterproliferation efforts.

QUESTIONS SUBMITTED BY MS. SUSAN DAVIS

Ms. DAVIS OF CALIFORNIA. Secretary Aldridge, cancellation of the Navy Area program left our surface combatants without a future lower tier ballistic missile defense. Last week the Commander of the Pacific Command and the Commander of U.S. Forces Korea clearly articulated their desire and need for sea-based missile defense. What steps is Department taking to meet this need?

Secretary ALDRIDGE. The current AEGIS ballistic missile defense element can address a portion of the Navy Area theater ballistic missile defense threat set (those threats that remain exoatmospheric for a sufficient time to enable a STANDARD Missile-3 (SM-3) engagement. An SM-3 low-exo-atmospheric test flight is scheduled in FY04. In addition, the Navy recently completed a study of lower-tier ballistic missile defense, which offered two potential near-term solutions and two longer-term developmental solutions. Near term options considered include: 1) mounting the Army's PATRIOT PAC-3 system on a large ship or barge and 2) using the Navy's Standard Missile 2 Block IV missile (possibly with a modified fuze). The Department intends to refine cost and potential performance estimates for these options. Longer term developmental options thus far include launching either: 1) Boosted PAC-3 missiles or 2) a ballistic missile defense variant of the Extended Range Active Missile (SM-5). The Department will continue to support current developmental efforts in these areas and may pursue initial fielding of one of these systems in the 2010 timeframe.

Ms. DAVIS OF CALIFORNIA. The Missile Defense Agency has talked about the sea-based interceptor tests thus far as a great success. Yet Mr. Christie's report states: "[Aegis] flight test engagement scenarios have been simplistic and limited to establishing the hit-to-kill proof-of-concept, and flight qualifying non-legacy hardware and software components of the Aegis BMD system." Do these completed tests tell you whether the Aegis deployment will be operationally capable by 2004-2005?

Secretary ALDRIDGE. Mr. Christie's report goes on to say, "these test limitations will be addressed as the Aegis BMD program matures and the test program becomes more challenging." Accordingly, Christie concludes, "since these firings have been from functional, fully manned, operational ships, this system could be employed in an emergency with limited expectation of success."

The Aegis LEAP Intercept (ALI) tests were conducted to prove the fundamental LEAP concept was sound. FM-2 and FM-3 completed the requirements for ALI, one flight test earlier than anticipated. This enabled acceleration in the test program and the gradual introduction of test scenarios depicting operationally realistic conditions. FM-4 added realism with a threat representative target trajectory and the first ascent-phase intercept. The tests conducted to date from operational Navy ships, both intercept tests and other related tests, indicated that the engineering is on the correct path to an operational capability by 2004-2005. The tests planned for the remainder of Block 2004 will become more complex and operationally realistic and will verify the operational capability. Finally, Commander, Operational Test and Evaluation Evaluation Force has participated in all Aegis BMD testing to date, and will continue to participate throughout Block 2004.

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. I understand we are pursuing a layered defense. Of those layers, boost-phase would seem to be the most effective way to defeat a ballistic missile attack. In your testimony, you state hit-to-kill boost-phase capability will not be available until Block 2008. If this is the most effective defense, why wait so long?

General KADISH. We have planned the capability for Block 08 because we believe it will take this long to achieve the capability. While some technology exists today to satisfy the desired boost-phase interceptor capability, it will take time to completely design, develop, integrate, test, and produce hardware. We believe Block 08 is the earliest we can achieve this capability.

Mr. MILLER. I understand we are pursuing a layered defense. Of those layers, boost-phase would seem to be the most effective way to defeat a ballistic missile attack. In your testimony, you state hit-to-kill boost-phase capability will not be available until Block 2008. Is it a matter of not having the technology and a matter of time to acquire the technology?

General KADISH. We have planned the capability for Block 08 because we believe it will take this long to achieve the capability. While some technology exists today to satisfy the desired boost-phase interceptor capability, it will take time to completely design, develop, integrate, test, and produce hardware. We believe Block 08 is the earliest we can achieve this capability.

Mr. MILLER. I understand we are pursuing a layered defense. Of those layers, boost-phase would seem to be the most effective way to defeat a ballistic missile attack. In your testimony, you state hit-to-kill boost-phase capability will not be available until Block 2008. Is it a matter of money?

General KADISH. We have planned the capability for Block 08 because we believe it will take this long to achieve the capability. While some technology exists today to satisfy the desired boost-phase interceptor capability, it will take time to completely design, develop, integrate, test, and produce hardware. We believe Block 08 is the earliest we can achieve this capability. We will better understand the costs to develop and test kinetic boost/ascent intercept element at the end of the 8-month Concept Design Phase competition. At this time, we believe that we have programmed sufficient funds to develop a boost-phase capability by Block 08. However, we will review programmed funding for PB05 based on the results of the 8-month Concept Design Phase competition.

Mr. MILLER. I understand we are pursuing a layered defense. Of those layers, boost-phase would seem to be the most effective way to defeat a ballistic missile attack. In your testimony, you state hit-to-kill boost-phase capability will not be available until Block 2008. If it is money, why not commit more resources to acquiring boost-phase sooner?

General KADISH. Boost-phase hit-to-kill technology is not as mature as other more developed technologies now being incorporated in other elements of the BMD System. Diverting resources from these latter efforts would delay their operational ca-

pability and the achievement of the President's goals. We believe the current balance of program assets best provides for those initial capabilities by Block 2008.

Mr. MILLER. In your testimony, you say missile defense locations may be expected to change to aid in integration and capabilities. What other locations do you anticipate?

General KADISH. Currently there are no additional fixed locations for Block 04 implementation. MDA is considering the future contributions to capability from additional sites for our fixed, transportable, and mobile assets. MDA has been evaluating site on each coast and various overseas locations. No additional sites have been selected at this point. Block 06/08/10 plans that recommend additional sites will include new locations in a timely fashion to support the necessary PPBS, acquisition, and operations planning activities.

Mr. MILLER. In your testimony, you say missile defense locations may be expected to change to aid in integration and capabilities. Are we taking the necessary arrangements to secure those sites?

General KADISH. At this point no sites have been identified. Future block planning will include any necessary DOD site acquisition activities.

Mr. MILLER. In your testimony, you say missile defense locations may be expected to change to aid in integration and capabilities. Will your expectations be available as we move towards another round of BRAC? (It would be ill-advised to close a base that could be a missile defense asset).

General KADISH. MDA is continuously evaluating new capabilities and potential siting options based on current and projected threats. We will be available to provide the BRAC with siting options during the BRAC review cycle.

Mr. MILLER. In your testimony you say recent discussion have been held with the UK and Denmark while missile defense concerns are shared by Europe. What European countries, other than the UK and Denmark, share our threat assessment?

Secretary ALDRIDGE. All the NATO countries are closer to sharing our threat assessment than they were previously. At the November 2002 Prague Summit, NATO agreed to study a collective response to long-range missile threats. Specifically, in the Prague Summit Declaration, the Heads of Governments and States agreed to language that initiated "a new NATO Missile Defense feasibility study to examine options for protecting Alliance territory, forces and population centers against the full range of missile threats." Prior to the Prague Summit, NATO had only achieved consensus to examine Active Layered Tactical Ballistic Missile Defense requirements for protection of deployed forces against threats less than 3,000 km. This new study demonstrates a growing concern on the part of the Alliance for threats beyond the 3,000 km range, and growing awareness that Alliance territory will come under increasing threat in the future.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—DEPARTMENT OF DEFENSE ACQUISITION PROGRAMS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Tuesday, April 1, 2003.

The committee met, pursuant to call, at 4:12 p.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Okay, folks, we will come to order. And we will commence the hearing. Mr. Skelton has been in a meeting with the leadership, and he will be over here shortly. So we will go ahead and fire up, and I am sure he will be here in a couple of minutes.

Here comes Mr. Skelton. I waited for you, Ike. [Laughter.]

I have got to tell you, Ike and I did a—with Mr. Shadegg—did a thing on the Blue Star families, the Blue Star flag, this morning that was quite moving. And Ike, that was kind of neat, to be in there with you, with all those great supporters and military families.

Today, the committee continues hearings on the fiscal year 2004 defense budget request by focusing on the proposed defense acquisition program and associated policy.

Our witness this afternoon is the Honorable Pete Aldridge, Under Secretary of Defense for Acquisition, Technology and Logistics. Secretary Aldridge, thanks for being back with the committee, and please pardon the delay, but those votes could not have been timed worse.

Before we proceed, I should note that yesterday Secretary Aldridge announced his plans to leave government service after dedicating 18 years of his life working in numerous important positions throughout the Department of Defense. As this could very well be the last time you appear before this committee as a governmental official, Pete, we want to thank you for your great service to the country.

And let me just tell my colleagues, I know a lot of you folks have had a chance to work with Secretary Aldridge, as I have. And there is no finer, more dedicated public servant, with a better sense of what it takes to take this unwieldy governmental apparatus that we have and mesh it, mesh its good points with the best points of the private sector and, by doing that, develop and field the technology that keeps us the dominant military force in the world.

So, Secretary Aldridge, thank you for your many great years of public service. And God speed, sir. We wish you will have a great career.

Mr. ALDRIDGE. Thank you, Mr. Chairman.

The CHAIRMAN. A great retirement.

[Applause.]

But right now, we have some business to discuss. And we meet this afternoon as hundreds of thousands of American men and women are answering the ultimate call of their nation by placing their lives at risk to liberate Iraq. Once committed to battle, these brave Americans are wholly dependent on the quality and effectiveness of the technology, weapons and equipment that we have provided them through our defense acquisition process.

Over the years, this process has produced the most technologically advanced and capable weapon systems known to man. But, over time, this process has also become overly ponderous, expensive and increasingly unable to take advantage of the rapid evolution of technology available in the private sector.

In my view, today's defense acquisition process: one, is too slow to field new technology and capabilities; two, is more interested in eliminating process and budgetary risk than yielding battlefield results; three, has too many people involved consuming limited budgetary resources with little added value; and four, suffers from an entrenched culture and bureaucracy that is highly resistant to change and fairly successful at waiting out wave after wave of attempts at reform.

I realize that these are not particularly new observations or concerns. But we have reached a point where the cost and effectiveness of our acquisition process is resulting in diminishing battlefield combat capability that we absolutely cannot sustain.

So, Mr. Secretary, I sincerely hope that you and your successor will continue to work with us to vigorously attack these fundamental problems. But, even the most efficient process cannot compensate for years of under funding our modernization accounts. As I have stated before, this Administration deserves great credit for finally reversing the decade-long trend of declining modernization budgets.

The past two years have seen significant increases to these accounts, particularly for research, development, test and evaluation (RDT&E), to lay a solid foundation for next-generation capabilities critical to ensuring that our troops maintain a technological edge. However, we seem to have stalled out on reaching a level of procurement spending minimally necessary to sustain our current forces with existing capabilities.

The proposed level of \$72 billion for procurement in fiscal year 2004 falls significantly short of the levels broadly identified—and all of us know about the Congressional Budget Office (CBO) studies and the opinions of the joint chiefs—and those levels are broadly identified as necessary to sustain the existing force with sufficient numbers of combat systems.

Further, we seem to be moving backwards in selected areas. The proposed budget recommends retiring or canceling programs in virtually every key combat category to carve out additional resources to reinvest in so-called “transformational” future capabilities.

It is fair to say that there is broad support in this committee and in Congress for most of the Department's transformation strategy. But that support cannot come at the expense of the very combat systems and capabilities that are sustaining our forces today in Iraq, Afghanistan and other areas of operations.

Our military forces will not prevail on today's or tomorrow's battlefield solely because they can talk to each other better or spot the enemy faster. They will still require a large enough inventory of equipment to overwhelm and defeat any potential adversary as rapidly and with the least number of casualties as possible.

As Jim McDonough writes in today's Post: "As technology advances, the conditions of warfare change, but the essential elements of combat power remain timeless, no different today than when the Greeks and the Romans marched through the Tigris and Euphrates valleys."

Mr. Secretary, it is absolutely imperative that we keep pace and, whenever possible, leverage technological change. However, such pursuit cannot result in increasing operational risk to our forces by sacrificing key combat capabilities that sustain our forces in today's very dangerous and unpredictable world.

I look forward to your presentation. I trust you will address these concerns during our discussion today.

And, Mr. Secretary, before we recognize you for your remarks, let me turn to my partner, the committee's ranking Democrat, the gentleman from Missouri, Mr. Skelton, for any remarks he might wish to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 1201.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much. Let me ask unanimous consent to put my prepared statement in the record, if I may.

The CHAIRMAN. Certainly.

Mr. SKELTON. And Pete, thank you for your hard work, for your expertise. We have seen you from time to time. And you have been kind enough to give us your thoughts, your advice and recommendations.

And you ought to be proud of the record that you have built through the years. We thank you for your public service.

Back home, we would probably give you the highest compliment and say, "You done good."

There are as I see it, three elements of winning on the battlefield, Mr. Chairman, and two of them the gentleman before us has overseen—equipment, weapons and personnel. And the former two—I think through the years, you have helped craft the equipment and the weapons systems that are now proving so invaluable and Buck Rogers-like that we see and hear about in the news media so much.

And we also have the finest young men and young women in uniform. And we are very blessed to have them with the equipment and with the weapons systems that you have helped provide.

So with that, we say, "Thank you." And we look forward to hearing your testimony.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 1208.]

The CHAIRMAN. I thank the gentleman. Again, Mr. Secretary, thank you for being with us today and your service to our country. And the floor is yours.

STATEMENT OF HON. E.C. "PETE" ALDRIDGE, JR., UNDER SECRETARY OF DEFENSE FOR ACQUISITIONS, TECHNOLOGY

Secretary ALDRIDGE. Mr. Chairman and Congressman Skelton and members of the committee, thank you for inviting me here today to talk to you about the acquisition policy and the acquisition workforce as part of your review of the defense authorization request for fiscal year 2004.

We have made great progress in addressing barriers to efficient acquisition. And we thank the committee for its assistance in the creation of a professional acquisition corps, as well as for its support for pilot programs and other transaction authorities to speed the fielding of state-of-the-art technology and better equipment to our warfighters.

Our current national security situation once again reveals a truth often forgotten during times of peace—that the most important duty of government is the protection of its citizens. The support of this committee has demonstrated for our men and women in uniform, it honors that covenant. The successes of my office in our ongoing quest for excellence in defense acquisition are a measure of our attempts to honor the same covenant.

For example, in the past year, we have been quite successful in pursuing the five goals I established at the beginning of this administration. These goals were directly derived from those established by Secretary Rumsfeld for the Department as a whole.

These goals are: to improve the credibility and effectiveness of the acquisition and logistics support process; to revitalize the quality and morale of the acquisition technology & logistics workforce; to improve the health of the defense industrial base; to rationalize the weapon systems and infrastructure with our defense strategy; and to initiate high-leverage technologies to create warfighting capabilities and strategies of the future.

Toward these goals, I have restructured the Defense Acquisition Board and designated evolutionary acquisition and spiral development as the preferred approach. The opposite side of that coin must be the proper pricing of programs, which I have insisted upon.

I have also approved a new process for the acquisition of services by the Department of Defense, mandated interoperability at program initiation, institutionalized the use of technology readiness assessments, consolidated and improved our acquisition education, developed a comprehensive future logistics enterprise, made changes to improve the health of the defense industrial base, instituted a new profit policy, increased progress payment schedules, developed a process for sharing of cost savings from excess facilities, eliminated inappropriate research and development (R&D) cost sharing, encouraged non-traditional commercial companies to

do business with the Department of Defense (DOD), accelerated the close-out of over-aged contracts, and exploited the enormous potential of advanced concept technology demonstrations.

Of course, we still have many things to accomplish. We need to further eliminate inappropriate management functions and marginal activities, continue to devolve functions that can be better accomplished elsewhere, further reduce acquisition cycle times, continue to minimize program risks, enhance program stability, continue to stress keeping costs under control and further establish a clear vision by which our logistics will better support our operational requirements and accelerate the flow of technology to the warfighter with a vibrant and robust research program.

I would now like to discuss some of the issues you identified as being of interest to the committee.

I believe that increased use of evolutionary acquisition and spiral development is the key to reducing the acquisition cycle time. I have designated evolutionary acquisition and spiral development as our preferred strategy for fielding operationally useful and supportable military capabilities. They deliver advanced technology to the warfighter as rapidly as possible, with the explicit intent of delivering improved or updated capability in the future.

Evolutionary acquisition success depends on the consistent and continuous definition of requirements and the maturation of technologies that lead to disciplined development and production of systems that provide increasing capability to the right materiel solution. Achieving the optimum benefit from evolutionary acquisition and spiral development requires early and frequent collaboration between the user, the tester and the developer.

We have been implementing evolutionary acquisition and spiral development over the past year and have instituted it in some of our major programs. Several examples of evolutionary programs that will transform the battlefield are: the Joint Strike Fighter, the Navy's DD(X), Unmanned Aerial Vehicles, such as Global Hawk, the new aircraft carrier, CVN-21, and the Army's Future Combat System.

Proper pricing of programs is the predicate required for successful evolutionary acquisition and spiral development. Without it, program managers tend to exhaust their funding, scavenge funding from other sources, and slip their schedules. Without the proper pricing of programs, the advantages conferred by evolutionary acquisition and spiral development are eliminated before they can be brought to bear.

The acquisition policy improvement initiatives we are pursuing internally will make a tremendous difference in the future. The first of these is the complete rewrite of the DOD 5000 series of documents.

Over the last year we have been taking a hard look at our acquisition policies and we determined last fall that the old policies were too prescriptive. We concluded that they required revision to create an acquisition policy environment that fosters efficiency, flexibility, creativity and innovation.

Consequently, we cancelled those policies and issued interim guidance while we completed the final policies. I have also worked

with the joint staff as they revise the policies concerning the requirements definition process.

The flexibility that we have built into these streamlined policies reflects the confidence that I have in our highly talented workforce and in the dramatic improvements we have made to our acquisition education system. I do not want to leave you the impression that we are done. We will continue to aggressively pursue the development and implementation of new policies that will ease the burdens on our managers, while producing stable, affordable and well-managed programs that serve the needs of our warfighters.

The acquisition workforce initiatives must be focused, as President Bush stated in a speech to government employees on July 10, 2002. I quote, we must be able to get the right people, in the right place, at the right time, with the right pay. We need to be able to reward excellence and ensure accountability for individual performance. I end the quote.

The acquisition workforce demonstration also helps us get the right people at the right place, at the right time, through its flexible personnel practices. But it also adds the element of the right pay by linking pay to the contribution to mission.

In the 2003 National Defense Authorization Act, you provided us an extension of the acquisition workforce demonstration project until 2012. We appreciate that support.

I would emphasize one more element of the President's direction. We need to have a workforce with the right skills. The Defense Acquisition University (DAU) has been in the forefront of providing certification training to our Acquisition, Technology and Logistics (AT&L) workforce. But we have also recognized the need to move beyond certification training.

DAU has embraced a new performance learning model for training, upgrading their certification courses to include critical thinking and case studies, adding web-based continuous learning, providing on-site support to our workforce from regional campuses, and offering web-based practitioner sharing of best practices and lessons learned.

No discussion of the workforce would be complete without addressing workforce size. Since the mid-1990s, DOD has defined our AT&L workforce to include all people who are doing AT&L work, regardless of their organization. That workforce now numbers a little over 132,000 people, as of September 30, 2002, down from almost 146,000 people we counted in 1998.

That workforce today is managing over \$1.7 million per person in total acquisition dollars, up over 40 percent from 1998. That is a 40 percent improvement in productivity in 4 years.

As we discussed, we are using human capital strategic planning and the acquisition workforce demonstration to get the right people at the right place, at the right time, with the right skills and the right pay. And we are in direct competition with the private sector, seeking talent for many of the same skills in a shrinking demographic pool.

While we are continuing to examine our workforce needs of the future, we believe that our workforce is where it should be today to manage our workload. We will continue to make adjustments as

they become necessary, but adjustments should be left to the Department, not enshrined in statute.

This leads us to another important area—competitive sourcing. The Department must continue to do business better, faster and at a reduced cost to maintain our focus on readiness. In order to focus on what we do best, our core mission activities, we must become more efficient in our support or non-core services.

When subjected to competition, our workforce, as dedicated as they are, as well as other service providers, can and do provide support services not only at lower cost, but with greater speed and efficiency. The public-private competition process is not easy. In fact, it is often lengthy, complex and frustrating for all involved.

That very frustration is, in part, an outgrowth of the A-76 process, which has evolved over time to address legitimate concerns for establishing that level playing field to protect the interests of all participants—government employees, private sector competitors, federal managers and taxpayers. But the old A-76 process has become too lengthy, adversarial and distrusted by all participants.

The Office of Management and Budget (OMB) has now issued a proposed revision to OMB Circular A-76 to address recommendations made by the Commercial Activities Panel, a panel created by Congress. We believe the proposed revision offers promising and overdue improvements to the A-76 process, especially with respect to aligning it more closely with procedures already used under the Federal Acquisition Regulations.

The proposed revisions were published in November for review. And we supplied comments, as have all interested parties. We have continued our dialogue with OMB as they work to finalize the circular.

I have talked about some of the things we could do on our own to transform this Department—to eliminate waste and duplication and demonstrate greater respect for the taxpayer's dollars. In the past several years, we have made significant progress. However, in some cases, we need your help to make needed changes.

As the Secretary of Defense has said in his town hall meeting on March 6th of this year—and I quote—“To truly bring DOD into the 21st century, we need legislative help. We are now working with Congress to fashion proposals that will help transform the Department: how we move money, how we manage people, how we buy weapons.”

“Final decisions on this package of legislative authorities have not been made. We are currently in discussions with the Office of Management and Budget about them. And we are still in a consultation process, trying to make sure that we get it right.”

Thank you, Mr. Chairman, for the opportunity to testify before this committee. And I would be happy to answer any questions you may have.

[The prepared statement of Secretary Aldridge can be found in the Appendix on page 1211.]

The CHAIRMAN. Thank you, Mr. Secretary. And to start off with, Mr. Secretary, you might comment generally, if you could, about the fact that in recent years, the story that has been before the American public and been considered by the Hill is stories of aircraft such as the Predator, which never made it out of the starting

gate, as far as getting through the operations and testing the reviews.

And yet, because of the emergency of a war, were shipped over into theater. And when the testers, when the general in charge said, "I want more of those," the testers said, "You cannot have them yet. It has failed its tests." He said, "Fine. Send me some more of those failures because I like them."

Then we had the case of Joint Surveillance Target Attack Radar System (JSTARS), which was hurried into combat because we needed them. And the impression is that the only—the systems that we have fielded quickly have been systems that flanked the system. They got around the bureaucracy because we had a war going on and we got them out into the field before the bureaucracy could stop them from getting to the field.

And so—and obviously, I think we will have systems after this exigency is over, which we discover were fielded because of the exigency, because of the war in Iraq, which otherwise never would have been fielded. So we still have this problem of a bureaucracy which squeezes out these systems over a painfully long period of time.

I know you have been working to try to shorten that period. And your idea that you want to have an 85 percent capable system that you can achieve very quickly, when more than 50 percent of the money is involved in that last 15 to 10 percent, makes a lot of sense.

So my question is: have you had some success along that line? Can you give us some examples of some spiral development that has worked out effectively?

And have you set the foundations in place to really make a sea change in this area, to get stuff fielded quickly and to follow the spiral development pattern, with respect to upgrades?

Secretary ALDRIDGE. Yes, Mr. Chairman. Thank you for that. That is a very good question.

We have—obviously, the concept of spiral development is an attempt to try to overcome some of the bureaucracy that existed in the past where we try to pick the 100 percent solution and then we strive for long periods of time to get there.

Our acquisition cycle time is entirely too long. In fact, I would say, in the past, when we really wanted something badly and quickly, we took it out of the acquisition system and did it a special way. I comment about the National Reconnaissance Office as kind of that style, which I ran for eight years.

But we are focusing on evolutionary spiral development to get this cycle time down. We are also encouraging and expanding our activities on advanced concept technology demonstrations.

This is where we take technology that is more mature and try to get it in the field and demonstrate and experiment with it. And these are all supported by the combatant commanders.

That is how Predator got there. That is how Global Hawk got there. That is how JSTARS got there. And we are hoping to do—there is a lot of other type of programs that are coming along at this point in time.

We have the ability to do things faster if we just focus on it. I give a particular activity on the—we just deployed a new warhead

for Hellfire. It was done in about 90 days. And those kind of things are very important when we can do them.

So I think we have the plans in place. We have got the processes institutionalized. As you may recall, I modified the Defense Acquisition Board decision process to include now the service secretaries, as opposed to the assistant secretaries.

We find now that we can make the decisions in the meeting and it is done because the resources of the particular service can be brought to bear immediately, rather than somebody having to go back and check with their boss to see if this was okay. It works so efficiently, many times, we cancel the meetings because we do not need them because the decisions are already made. And that adds to our ability to get things into the field much faster.

So, the Joint Strike Fighter clearly is one that we are focused on spiral development. Comanche has now been restructured to focus on spiral development. The Navy's DD(X) programs, the CVNX—these things all have been mandated to be spiral development capabilities.

Unfortunately, it is going to be several years before we prove that we actually can do it. It takes a few years to get that done.

In the meantime, advanced concept technology demonstrations (ACTD) are underway. And they can get our capabilities in the field sooner.

The CHAIRMAN. Thank you.

Mr. Skelton.

Mr. SKELTON. I will only ask you one question right now, if I may. As I understand, you or someone in your shop asked Congress to remove the cost cap on the engineering and manufacturing development (EMD)—that is the development portion of the F-22 program. Is that correct?

Secretary ALDRIDGE. That is correct. I did. I asked for it.

Mr. SKELTON. Okay. And we are now being asked to approve an \$800 million increase in that particular account for the F-22. Where are we on this? Do you have any—should we have left the cost cap on or what?

Secretary ALDRIDGE. No, sir, you should not have left it on. In fact, it was a bad mistake to put a cost cap on the engineering and manufacturing development phase. We now call that SDD—system development and demonstration.

Putting the cap on programs like that causes you to make shortcuts because you will run into problems, especially if you do not have a sufficient management reserve. And many of these financial people, the comptroller will not let you—the program manager—have management reserve.

So what happens is he cuts out the spare parts. He cuts out the test points. Should I get the test under more optimistic assumptions? And it ends up costing the program more than it would have otherwise because he is having to slip things. And then they occur—these problems occur at the end when you are starting into the high spend rate for the contractors.

Now, what we have done with the F-22 is change it around. And we have taken the cap off of the EMD. But we put what we call by-the-budget philosophy for the production.

We ran into a problem of the testing process in the F-22 was going slower than we thought. It resulted in an \$800 million overrun in the test program. We took it out of the procurement account to pay for it, which allows—we did not ask for any more money.

So now the contractors and the Air Force are incentivized to try to get the production costs down. If they can, they can buy more aircraft. If they cannot and they continue to run into programs, we will continue to take it out of the production account. And the number of F-22s has now dropped from 331 to 276.

So that is—the caps on EMD is a mistake. We can put a cap on the production and provide the incentives for the contractors to continue to try to get their costs down so they can buy more airplanes.

Mr. SKELTON. I appreciate that. I bet the lower number has caused a lot of heartburn though, hasn't it?

Secretary ALDRIDGE. Yes, sir. It sure does. It makes the Air Force look for ways how they can incentivize.

In fact, what we have done is we have had these production—program reduction projects, which we invest up front in order to get a return later in the production. And these up-front investments can return seven to ten times the dollars that you invest up front.

And so we have a lot of the programs now in the F-22 to try to get the unit cost down by investing early. And the result of that, if it works out, we can buy more airplanes because the unit cost will, in fact, drop.

Mr. SKELTON. Thanks so much.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from New Jersey, Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

Pete, good to see you. And thank you for all the good work you have done.

Secretary ALDRIDGE. Thank you.

Mr. SAXTON. And all of us watch television every day now, as much as we can, nonstop. And a lot of the stuff that we are seeing on those tubes are things that our great system has produced. And your leadership in that regard is much appreciated.

In spite of the fact that we have had great successes in developing our capabilities, sometimes the process hiccups to the extent that it gives you agitation. And one of the hiccups that the chairman and I have become aware of has to do with the development of the Stryker moving toward the Future Combat System and, in particular, its deployability.

A year or two ago, just about this—well, a little bit later than this, we were in conference. And the Senate had one position on Stryker funding and we had another one. And the Department of the Army came over and said, "We really need you guys to go to conference and take the Senate position because we have to have this system because it is going to be deployable in 96 hours using C-130 aircraft."

So we said okay. And we receded to the Senate position. And the development continued.

Sometime late last fall, it came to my attention—incorrectly—that the Stryker could not fit in the fuselage of a C-130. And so the Army said, “Congressman, you are not correct. Tell you what, we will bring a Stryker up to McGuire Air Force Base there in your district and we will show you how it fits.”

So sure enough, they brought it up. And they took me out. And I walked up the ramp. And there it was, 4 inches on each side of the Stryker, 18 inches on top. It fit. The crew was in front of it. And everything looked hunky-dory. I said, “You are right. It fits.”

General Williams, who is the commander of the 21st Air Force, said, “Would you like to talk to the pilot?” I said, “Sure, while I am here, why not?”

So, I walked around the airplane and got up in the cockpit and talked to the pilot. I said, “How does this airplane fly?” “Oh,” he said, “very good, sir. These C-130s are great old birds.”

I said, “How much weight have you got back there?” He said, “About 40,000 pounds.”

And I said, “Well, do you fly with that weight often?” He said, “No, sir.” And I said, “Well, how does it fly with that much weight in it?” “Well, sir, sometimes it is a problem.”

And I said, “Well, how’s that?” And he said, “Well honestly, sir, sometimes, if we are at the wrong altitude or if the air pressure is not just right or if we have got a short runway, we cannot take off at all.”

I said, “Well, when you do take off, how far can you fly?” And he said, “Well, again, it depends on conditions and where we are going and the altitude that we have to fly over. Sometimes we can go 200 or 300 miles. And sometimes we can go as few as 60.”

So I turned to General Williams and I said, “Is that right?” And he said, “Yes, sir. It is a problem.”

So I called my friends down at Air Mobility Command (AMC), and I said, “Would you do me a favor? Would you look at the places where we could deploy in Afghanistan and tell me how this all works out?”

So they did. They looked at six different airports from which we might deploy in Afghanistan. And in seven of them, the airplane—in seven of them, day takeoffs and night takeoffs, a total of 12 takeoffs—in seven instances, the airplane could not take off. And in five instances, it could take off and fly anywhere from 60 to 70 to out to 200 or 300 miles. Not a good deal.

So the other day, I was sitting in another hearing on Future Combat System and I said, “How much is this Future Combat System vehicle going to weigh?” And they told me 40,000 pounds.

And I said, “Are you going to deploy in the C-130?” And he said, “Yes, sir.” I said, “Golly, been here before.”

Now this kind of mystifies me. And I know we are not all perfect. And I know we have done some great things. But it seems to me that this is the kind of a hiccup that we ought to be able to avoid. I mean, it would take me but a couple of minutes to multiply 2,000 by 20 and come up with 40,000 pounds.

Secretary ALDRIDGE. Yes, sir.

Mr. SAXTON. Can you speak to this specific instance?

Secretary ALDRIDGE. Well, I am aware of the problem. I saw the charts, looking at the altitude and temperatures of what C-130s

can do. And in fact, even the C-17, we will find that there are altitudes and temperatures of the day that will cause certain range reductions.

I think the most important thing here is that we can move the Stryker with a C-130 under certain conditions. We can also move the Stryker—three Strykers—with C-17s under other conditions. So depending on where you want to go and what mission you want to accomplish, we will have to adapt our deployment to that capability that will exist.

Now in Future Combat System, we are actually trying to get the thing down to 18 tons, not 20, by putting some goals on the system right away. And, of course, in many of these cases, we are not going to deploy these systems by airplanes anyway. They will be shipped over by ship and they will be run down the roads to the proper location.

But it is true that in some cases, the C-130 will not fly very far. But in other cases, we have in fact certified the Stryker now to the C-130, made some minor changes to it. So of the 10 vehicles that Stryker will make up, eight of them have now been certified to fly C-130 without restrictions.

The CHAIRMAN. Will the gentleman yield?

Mr. SAXTON. Yes, certainly.

The CHAIRMAN. Mr. Secretary, I looked at this when—and Mr. Saxton came back and then I had the TRANSCOM folks in. There are not just a few instances where Stryker cannot be carried because the argument, the fast comeback, is “Well, sometimes C-130s cannot take off unloaded.”

There are lots of instances where Stryker cannot—the wheels can never leave the runway. Now that is—in your own statement here and in the statement of the Army, this was supposed to be something that was transportable in other places besides sea level.

Secretary ALDRIDGE. It is transportable in the C-17.

The CHAIRMAN. I understand. But your statement says C-130. And we have just gotten finished talking about how the new, the bright new day for the acquisition system is going to make sure that we are sharp and smart and we think things through. And I went to the Marine Corps when Mr. Saxton showed me this and I said, “There is something wrong here. You guys move those light armored vehicle (LAV) all over the place with C-130s.”

They said, “You are talking about Stryker, aren’t you?” And they smiled. And I said, “Yeah.” They said, “Twenty-eight thousand pounds versus 38,000 pounds.”

So you know, when we came over the first time, the argument was made for this fast movement capability. When Saddam Hussein came marching south with seven Iraqi divisions, we had only a light infantry, that is the 82nd airborne, to throw in his way. And we needed to have something that was semi-hard to get in there quickly.

And we were sold a good deal of this on C-130 transportability. Now, I think even the most ardent supporter of Stryker—and you know, we have moved forward with Stryker—but I think even the most ardent supporter has to do, when they look at that chart from Transportation Command (TRANSCOM), these are the folks that are going to carry you, you have got to be a little bit dismayed.

Now if you strip that baby down, the last thing the Army showed me was they have got a stripped down version at 33,000 pounds. But I do not know how much of that now relies on having that equipment at fairly long preparatory time once you roll off that aircraft to get it going.

So just to ask a little bit differently Mr. Saxton's question—because it is an important one—was this thing thought through? Was somebody watching the weight as this thing grew? Or did it come as kind of a surprise when you got finished?

Secretary ALDRIDGE. Well, I was not here obviously at the time when the decisions were made. But it was clear that the weight has grown on the Stryker program. It did not start out to be the same weight that we have now.

It still is on a diet, as a matter of fact. The Army is still looking for ways to carry it.

Now let me back up and say something about what the Army has done with the Stryker as an interim capability is the right way to go. It is clearly more deployable, much more deployable. It is much more mobile. It is a direction for the future of the Army, which is the beginnings of the Future Combat System.

So, to say that Stryker was a bad deal is not, I do not think, the correct answer. That was the right way for the Army to move in getting its mobility and lethality.

The CHAIRMAN. We are not saying it was a bad deal. We are just saying that in some cases, the wheels cannot leave the runway.

Secretary ALDRIDGE. I will tell you—

The CHAIRMAN. It is always preferable to fly these planes in the air and not take them down the highway.

Secretary ALDRIDGE. Every program that I have been involved with that is in trouble suffers from a thing called "requirements creep." And I think Stryker is one of those that has suffered from requirements creep, without paying attention, and the tradeoffs that have to be done to get that system.

Mr. SAXTON. If I could take one more minute? We will not argue about this anymore or debate this issue anymore. But let me just say this: There may be a solution to this.

I understand that the Future Combat System could be built with titanium if we could afford titanium. And the chairman is working with staff and with me to try to find a way to reduce the cost of titanium from something like \$15 or \$16 a pound to \$5 a pound. And that may be an achievable goal.

And I guess, from what I am told, that would go a long way to solve this weight problem that we have got.

Secretary ALDRIDGE. I believe that is right, sir. As you know, there is a milestone B decision coming up on the Future Combat System on May the 14th, which I will chair the Defense Acquisition Board that will look into how we are going to do that. That will be one of the issues we will address.

The CHAIRMAN. Okay, thank you, Mr. Saxton. I think we have ridden on the Secretary's swan song here a little too much.

Secretary ALDRIDGE. I did not mean to be here to defend the Army's program, but—

[Laughter.]

The CHAIRMAN. Oh well, what the heck.

The great gentleman from Texas, Mr. Ortiz.

Mr. ORTIZ. Thank you, Mr. Chairman. I am concerned with what I just heard. But let me thank you for your service to our country. We really appreciate that, Mr. Chairman.

But you know, the fiscal year 2004 budget request generated, if I am correct, something like \$7.1 billion in savings through a series of actions including the termination of 24 Army programs, retiring 26 Navy ships early, and retiring 114 aircraft planes—114 of them—and 115 military transport aircraft. At a time when our force is stretched to the limit, when we have deployments all over the world, from the Philippines to Iraq to Bosnia, you name it, I mean, why did the DOD feel it needed to cut the size of the force?

Secretary ALDRIDGE. Mr. Ortiz, the problem in trying to come up with the defense budget is to balance things. We have to balance those costs for maintaining our people and keeping their quality of life. We have to worry about the readiness of the forces and spare parts and flying hours.

We have to worry about modernization of the legacy equipment. And we had to worry about the future. And that is called transformation.

We also have to worry about near-term risk and far-term risk. We could have kept those programs by not spending any money on the future for the Department of Defense.

What the President has done, working with the Secretary of Defense and the leadership in the Department, has provided a balance in the defense budget between all those competing demands. And even then, we did not do everything we wanted to do.

We would like to have gotten rid of the substandard family housing units for our people much faster. We have got a plan to get rid of them by 2007. We could have done it faster.

We would have liked to have modernized and recapitalized our infrastructure that is deteriorating at a faster pace. We are recapitalizing our infrastructure now every 136 years. Nobody would run a business that way.

We did not get the age—the average age—of our tactical fighter force down as fast as we would like. We did not get our shipbuilding up to the level we would have liked to have. And we did not get our science and technology budget up to our goal of three percent.

So all these things have to be pulling and tugging with each other. And we tried to balance all those things. And we said we really need to think about the future. And so we put \$24 billion in the budget for transformation, recognizing some of it had to come from the near-term force structure, the Army's R&D efforts, and ships and airplanes of the older configuration.

So, I think, on balance, we did the right thing. And that is where we came out.

Mr. ORTIZ. So you think that once you do that with the \$24 billion you are talking about, then this will replace this so that we can deploy our troops? Because it kind of seems like we are taking a heck of a long time before we can deploy, to put our forces in position, you know, to do what they have to do. Now how in the world are we going to move them?

Secretary ALDRIDGE. Well, we are buying more C-17s. We are making them lighter so they can be deployed much faster. And they are much more mobile and lethal when they get there. That is kind of the concept behind the Future Combat System.

We are trading information in the Future Combat System for armor. We have taken all the armor off the system and we are using information to make them more lethal. And so by making them lighter, the footprint for logistics is much smaller. And it does not take as long to get things deployed as we had in the past.

So the future, the transformational capabilities we are looking at in the future, are much more lethal, survivable and mobile and can be much more—be supported better than the older legacy systems that we had. And that was a tradeoff made by the military and civilian leadership of the Department, that that risk balance was about right.

Obviously, we are keeping our current forces ready, more ready than before because we are spending a lot of money on spare parts and flying hours and standing hours and tank driving distances and things of that nature and training of our troops so that the smaller force can be much more lethal.

Mr. ORTIZ. So, you do think that the budget is adequate the way it is now?

Secretary ALDRIDGE. We would always like to have more money. But I will support the President's budget as he submitted it. From a budgetary point of view, with that level of dollars, I believe we have balanced all the risk against all our demands in a proper way.

Mr. ORTIZ. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I would just say to the Secretary, we have the briefings that we receive every day here on the progress in Iraq, I think has given a lot of members of Congress—committee and out—a new-found appreciation for heavy armor.

Secretary ALDRIDGE. Yes, sir.

The CHAIRMAN. And a great appreciation for that capability.

The gentleman from Alabama, Mr. Everett.

Mr. Bartlett.

Mr. BARTLETT. Thank you very much, Mr. Secretary. Thank you very much for your service.

In the 11 years that I have been in the Congress, I have watched our defense industrial base of—at that time—probably 50 companies merge and merge and merge again. And now we have five. And it is not just that we have fewer companies. We have a much reduced capability in our defense industrial base. I know it worries you. It worries us.

Our budget certainly has to recognize the responsibility to maintain that base. And I just wanted to ask the question about one tiny little part of it that was alluded to by my friend, Mr. Saxton, and that is titanium. At one time, we had ten companies in this country which produced titanium. Now we have three.

It is my understanding that more than half of all the titanium, about half of all the titanium in the world, is produced by Russia. And we import a great deal of the titanium which we use.

I had, from my position on the Small Business Committee, an opportunity to meet with a small company that was exploring a new

process, the Armstrong process, that promised to produce titanium at about a third the cost, with very high purity and the ability to—for either laser deposition or for alloying to meet the demands of our industry.

Do we have a process in our Department of Defense where we can, when we see new opportunities like that, to exploit them without being slowed down by the bureaucracy?

Secretary ALDRIDGE. The chairman of this committee has instituted a program called the Challenge Program, that allows companies to come in and challenge technology that is being produced by the Department. And we have funding set up that if we agree with them that this is a good idea, we can immediately release the funds for that.

So if the company has an idea, it has a way to come to the Department to request a way to do that. As a matter of fact, today I signed an \$8 million budget—challenge budget—to a small company to go out and look at a technology that is associated with our Joint Tactical Radio System, JTRS.

Mr. BARTLETT. Well, God bless you, Mr. Secretary.

Secretary ALDRIDGE. I thought you would be interested in that.

Mr. BARTLETT. Now you are leaving. [Laughter.]

Secretary ALDRIDGE. Well, we have got it institutionalized. Yes, there are ways to do that. And there are also some, what we call “quick reaction” funding that is available to the Department that, when we get an idea that we want to pursue, rather than waiting to go through all the budgetary processes that takes two years at the Department, we can immediately apply funds for those kind of things.

Mr. BARTLETT. Who in your office do we contact?

Secretary ALDRIDGE. Dr. Ron Sega, who is the DDR&E, Director of Defense, Research and Engineering.

Mr. BARTLETT. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Mr. Bartlett.

And the next gentleman to talk to our great and wonderful Secretary, who is supporting that challenge program, Mr. Taylor?

Mr. TAYLOR. Mr. Chairman, does this mean I have got to be nice to him? [Laughter.]

Mr. Secretary, thank you for coming by. And thank you for your service to our nation. I was noticing at the top of page five, you mentioned “to improve the health of the industrial base” as one of your goals. I certainly share that goal. And because I share that goal, I am consistently appalled by the Department’s willingness to outsource acquisitions to foreign countries, something that I brought to the chairman’s attention. I think we are down to one domestic propeller manufacturer of the large propellers big enough for a warship.

And yet, the propellers, I believe, on the Advanced Auxiliary Dry Cargo Ships (T-AKE) are being made overseas. I do not see that as being in synch with what you are saying in your statement.

I think the engines on the Special Operations Craft Riverine (SOCR) are foreign engines, foreign diesels. And it is actually way too often that I see this.

And we, as a committee, on an annual basis, put "Buy American" language in the bill, only to have folks who are your subordinates find one reason or another to ignore it. And that is a great frustration to a lawmaker.

I cannot sit at their desk every day and approve what they do. But you can. And I would very much like to hear your comments on that, because I do see we have been burned as a nation on the North American Free Trade Agreement (NAFTA). We have been burned as a nation with normal trade relations with China.

You might have noticed that none of those countries are backing us in this war effort. That includes the Canadians, the Mexicans, and the Chinese.

I am getting a little tired of sacrificing American industry and American jobs for would-be friends. And I am really tired, as a member of this committee, one of the ones who insist on that language, to have it ignored by the folks that work for you.

Secretary ALDRIDGE. Mr. Taylor, I am absolutely insistent upon ensuring the health of the defense industrial base. Like I said, I put it as one of my top five goals. I am serious about it.

I am serious about competition. And I am serious about protecting the defense industrial base. In some of these instances—in fact, in some cases like ball bearings, we do not have a domestic supplier.

Mr. TAYLOR. If I may, Mr. Chairman, I really think you will find the reason we do not have domestic suppliers is because somebody who works in your organization or your predecessor's organization gave the business away. And if their only customer is the United States Navy, the United States Army, and their only customer is buying foreign, guess what? They are going to go out of business, just like our domestic propeller manufacturer, if you insist on giving that waiver to a foreign country.

Now I see that this year's budget has another T-AKE in it.

Secretary ALDRIDGE. That is right.

Mr. TAYLOR. Now I, as a member of this committee, as someone who votes for that language that says, "Made in America," that is what we mean, Mr. Secretary. It means made in this country. None of these games where you talk about, "Well, a substantial portion of the ship was made in our country." We are talking about the whole ship made in this country.

Secretary ALDRIDGE. Well, in my case, I do not provide those waivers in an easy way. If there is a waiver that I have to sign off on, it is because it is my judgment that this does serve the Nation's interest to divide the foreign service capabilities to a product that exists that will be built in the United States. If there is some non-U.S. company that provides a product, and it is acceptable to us because of some relationship, then it is okay for us to do that.

It is not my intent to do that very often, because I share your view that we need to protect the industrial base of the country. And I do not think we provide those waivers in a willy-nilly way. I think it is only in the circumstances that it can be justified that we provide that capability somewhere else.

And it is either because the companies in the United States could not compete or whatever. I do not know the particular circumstance. I do remember about the propeller. But I do not recall

exactly the rationale of why we went outside to do that. That was a Navy decision, not mine.

But I share your view. We do not try to do this in a non-comprehensive way.

Mr. TAYLOR. Mr. Secretary, in your statement, you talk about retiring 26 ships early. Admiral Clark has gone on record as supporting the 375 ship Navy. Last I checked, we were at about 310. If you retire 26, that brings you down to 270, 275, whereabouts.

Have you given—what troubles me is that one of those groups of ships that you are proposing to retire is the first block of Aegis cruisers. If I am not mistaken, they were only built in the mid-1980s, which means the hulls, most of the electronics, everything on that ship is in fine working order. The only thing that I am told that is not up to date on that ship is that it has a rail launched cruise missile, as opposed to a cruise missile that is fired out of the hole, which was on the follow on.

Have you, for the sake of trying to stretch our dollars, given serious consideration to modifying it within the hull launch system. I am told that for about \$200 million, you can take each one of those ships and put them back to sea for another 20 years, with a current cruise missile system.

And knowing that it costs, if we had to build that ship from scratch, probably \$1.5 billion, I would think we are over a billion ahead, instead of starting from scratch all over.

Secretary ALDRIDGE. Mr. Taylor, I think I am searching for something. And I cannot remember exactly. And I will probably have to get back to you.

Mr. TAYLOR. The Block-1 Ticonderoga Class.

Secretary ALDRIDGE. The Block-1. Okay.

Mr. TAYLOR. It is five ships, you know, the Aegis cruisers, the first five that you are talking about decommissioning. And those ships are less than 20 years old.

Secretary ALDRIDGE. Yes, sir. The thing I was questioning was whether or not we have been talking with the Navy about modifying the Aegis ships to be missile defense capability.

Mr. TAYLOR. I am told that one is being used as a test platform.

Secretary ALDRIDGE. Right. That is a Block-5 version of the Aegis. But I do not remember if we were talking about the Block-1s or not. So if I can, I can get back to you on that.

Mr. TAYLOR. Would you, please?

Secretary ALDRIDGE. I will do that.

Mr. TAYLOR. Okay.

Thank you, Mr. Chairman. Thank you, Mr. Secretary.

The CHAIRMAN. I thank the gentleman.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

And Secretary Aldridge, thank you very much for your service. And we appreciate you being here and all you have done.

Having said that, I am going to pile on, too, to Mr. Taylor's remarks.

Secretary ALDRIDGE. We are all celebrating.

Mr. HAYES. We are celebrating. We do not want you to leave too quietly. But the biggest problem that I have—and Mr. Taylor and

others alluded to—is trying to get the Department of Defense to buy American.

And day in and day out, once we make the request, it disappears over there somewhere. And it comes back. And as an example, the exact same language that DOD put out last year, which dealt with the issue that we continue to call to their attention, has come back this year—the exact same language.

We can talk about the 767s, I think, and the others. The Air Force broke the law when they came in and did what they did with Boeing in buying the Russian titanium.

We have a list from Mr. Hobson's district and Mr. LaTourette, where DOD has bought French brakes for the U.S. Air Force, foreign tires on aircraft and ground vehicles, German exterior concrete ceiling on the Pentagon, Russian titanium—we have talked about—Canadian landing gears for KC-135s. The list goes on and on.

We need an attitude adjustment of a major proportion. I do not think it is you. I do not doubt your commitment and your priorities. We have got a serious problem across the river somewhere. How do we find it and deal with it?

Secretary ALDRIDGE. Well, sir, we do not make these decisions without careful consideration of the impact it is going to have on our weapons systems and our security. It was pointed out to me that over half of the requests for waivers come from Members of Congress.

So we have pressure on us to do certain things for constituents, I am sure. But I am absolutely convinced that our process is deliberate and it is as fair and as equitable as we can possibly make it. And these decisions are not taken lightly, if we have to go overseas.

I know our office does not consider that to be the right—the preferred solution. I do not know about it coming over to the Department of Defense and being buried. I do not think that happens because I know the decision-making process is very deliberate.

And it is done with certainly a view on "Buy American," because that clearly is law. We have got restrictions and provisions to do that.

So I am not sure how to respond to your question about how to change it.

Mr. HAYES. Please fix that before you leave in May, because clearly we have heard it back and forth, time and time again, from countless sources. And again, the problem that I and my staff and others have is unnamed individuals within the Department of Defense who seem to, once the issue comes up, say, "Well, okay, let's look at the waiver route first."

And again, it goes on and on and on.

Next question. I think you have gotten the drift of our concern there. And I hope you can do something about it.

Contract air is something we are working with some of your folks. Personally, do you feel that carrying paratroopers who are simply performing an exercise, a jump in a local location; do you differentiate that between traveling from point A to point B as a passenger in an aircraft? I am not sure I asked the question clearly.

Secretary ALDRIDGE. I think you are talking about these Federal Aviation Administration (FAA) certified 135—Code 135—versus licensed drop companies. It is clearly, what we have to look at in the Department is the training process that occurs across the entire department, not in any one given location.

And we are prepared to provide waivers for some of the companies that can provide that service, given looking at the volume of parachute drops that we have to occur. And in some of these cases, I have given a waiver when, in fact, training, as directed by the local commander, feels that he needs to do that, we have allowed waivers to occur for the purpose of maintaining the training capability.

Mr. HAYES. And I thank you. You have done a great job. However, again with the May deadline, if the bureaucrats over there do not understand the wisdom of your decision, in using language, they have restricted the ability of our special forces guys in different locations to train by insisting on putting a willy-nilly phrase in there that says, "When 135 is available and comparable in cost.

And I told them when they did it, that is nothing but a big hole for folks to jump through, hurting small businesses, hurting readiness, hurting training. And again, personal request, fix that before you leave, please.

Secretary ALDRIDGE. Yes, sir. I will try.

The CHAIRMAN. I thank the gentleman. And now I think the gentleman from Hawaii has an "Aloha" and probably an issue of foreign-made cranes for you.

Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman. I, too, want to thank you for your service. You recognize that everybody is thanking you just before they get to the problems, right?

Secretary ALDRIDGE. Right.

Mr. ABERCROMBIE. But I am sure, Mr. Secretary, you are there precisely because of your capabilities in handling these things. And we do have to get these issues on the table.

In a sense, I am following up on Mr. Taylor's question. And I think I want to emphasize that a lot of this will seem to the general public—and perhaps even to those in the Pentagon itself—as prosaic. It is local.

But that is what the Congress is made up of in the House of Representatives. We, in fact, represent a series of constituencies here.

And so when something goes wrong, Mr. Secretary—and I can assure you, next year will be my 30th year in public service—when you are a legislator, you hear about it. And people want you to solve their problems.

No offense to you personally, but you are a distant person. You are a distant figure.

The executive side, the implementing side of, presumably, the policies we pass here and implement into law is not who the folks in my district or in any other district go to see when they experience difficulties. And I am thinking here now not just of evolutionary acquisition, which can get into some pretty exotic—or spiral development—that can get into some pretty exotic rhetoric. And the implications of it, in terms of military platforms, are pretty exotic, as well.

But if you get down to the point that you make in your own testimony about the DFARs, the Defense Federal Acquisition Regulations, and your indication that not just that they are 20 years old, which may show that they have had a good useful life, but 1,400 pages. I do not think that is the problem, either.

I think it is a matter of where our commitment is. When people try to treat defense as an ordinary business activity, I think we are making a big mistake. This is the defense of the Nation.

Part of the defense of the Nation, it seems to me, is promoting its strategic interests. And in doing that—please forgive me my preamble, but it is fundamental to my question—is having the industrial base, which you have emphasized in your testimony both formally and in terms of your answers. The fact that something can be done overseas cheaper does not make it more efficient in terms of the defense of our strategic interests. That is my fundamental premise.

At one point, I was told at a particular port overseas, by the commander in charge, it was cheaper to build ships overseas. It was cheaper to maintain them. It was cheaper to operate them, cheaper to do all kinds of—to store them and everything else.

I said, “Why would not it be cheaper to get rid of you and hire a mercenary service too? What do we need you for?”

And I was not being sarcastic when I said that. I did not want to hear that. And I have got a situation right now at Pearl Harbor, where we have been working with cranes. I have worked very, very hard, with the cooperation on a non-partisan basis in this Congress, to develop an apprenticeship program for the particular kinds of service that we need in Pearl Harbor.

When you refuel on a nuclear submarine, for example, that is a highly specialized industrial task, craft task, that simply cannot be picked up by outsourcing it, although that was attempted at one point. We have got cranes coming in now to Pearl Harbor that were built in Korea. And for the life of me, I cannot understand how that got by me, I am sorry to say.

I am not so sure I could have done anything about it at the time, because there is probably some regulation out there that says, no, this was the most efficient—i.e., the lowest cost. But I am damned if I think that slave labor overseas or people who do not obey health laws or have a decent labor foundation in law or environmental laws should be able to compete with American business that does obey the rules with regard to the environment, with regard to decent working conditions, and so on.

But even if that was the case, now I am being told that they are going to be installed by foreign nationals. Now, in the wake of 9/11, I cannot imagine why we would be bringing foreign nationals into the Pearl Harbor shipyard to install the cranes.

And then when these foreign companies do come into places like Pearl Harbor, they do not pay on time. We pay them and the DOD takes the position, “Well, they are the prime contractor. They have been paid. And if they subcontract, it is up to you to try and collect.”

How the hell do you collect from people overseas that do not want to pay you, unless the DOD itself is going to be an enforcer on behalf of the American industrial base. So in this particular in-

stance, I would like to have you take a look at whether or not, once we do have the acquisition—that is really, I am sure you would agree, the first step. Then we have to have installation.

We have to have placement, all of the kinds of things that go with it. And that, it seems to me, definitely needs to be done by American workers, under American command, in a context that advances our strategic interests.

Yes, the chairman is right; I do have a particular interest in the cranes in Pearl Harbor, which I would like you to take a look at, in terms of installation. But that is simply emblematic of the overall problem that I am presenting to you.

We have got to buy American and develop American workers and sustain that workforce. And if that takes some extra expenditure by the United States to see that that happens, I believe that the American taxpayer will sustain it, will welcome it and understand that that advances the strategic interests of the United States.

Secretary ALDRIDGE. I will check into it, Mr. Abercrombie.

Mr. SAXTON. Thank you.

John Kline.

Mr. KLINE. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here and your detailed answers to our many questions.

I am fascinated by the whole approach to acquisition reform, a process that you know, Mr. Secretary, has been going on for many years. And I think back to a decade and the struggles of your predecessors, such as John Betty and Don Yake and former DDR&Es and former secretaries of defense, for that matter, have been grappling for this problem for a long time.

And I look at your testimony and I see that, in this last decade, we have made some progress through public law—1994 is an example, 1997 and so forth. But a decade ago, when the folks in the Pentagon were talking about improving the acquisition system and struggling with the DAB and all those things, there was an example that was often used of the F-117 program that bypassed, as the chairman said, some of the bureaucracy and was produced ahead of time and under budget.

And I am wondering—and I will let you, I will not pin you down exactly. If you do not want to use the F-22 or the Joint Strike Fighter, you can use a hypothetical system, if you would like. Where are we, in comparison to that process, if you agree that that is a good model or a model of a successful program?

Secretary ALDRIDGE. Oh, I think it is an excellent example of a successful program. One would go back a little further and put the U-2 from decision to first flight was nine months. SR-71, decision to first flight was 21 months.

So we are capable of doing that kind of thing. But they are done under the skunkworks-like—I know that is a Lockheed term. But the process by which those type of aircraft were developed. We did the same thing in the National Reconnaissance Office with our space capabilities. Any time we really needed something badly and quickly, we took it out of the normal acquisition cycle process.

That is what we are trying to fix.

Mr. KLINE. Where are we—if I could, excuse me for interrupting?

Secretary ALDRIDGE. Well, I—

Mr. KLINE. By comparison, where are we in your spiraling process here? How close?

Secretary ALDRIDGE. Well, in the case of the Joint Strike Fighter, that is exactly what we are doing. We are going to have a first flight in 2.5 years of that engineering prototype, engineering development model. We are trying to institutionalize that quickly so we can get something in the field very rapidly.

The 117, by the way, was an excellent airplane. It did not have all the bells and whistles on it that probably the Air Combat Command would have liked to have seen. But we did not allow that to happen.

We used landing gears from existing airplanes. We used engines that were already developed. A lot of the avionics packages were already developed. And if we kind of put it together quickly—one, because we needed it badly.

We are trying to institutionalize that same process in the current acquisition cycle. That is why the spiral development will get something out in the field quickly. It will get out faster because you are taking mature technology, rather than something you hope to develop. You can get it in the field faster; therefore, you can get rid of the older stuff quicker. And you can do so with less risk and less cost uncertainty.

And that is what spiral development does for you.

Mr. KLINE. And are we making it there?

Secretary ALDRIDGE. Unfortunately, when we do this, it takes several years to prove you are right. I think we can go back in history and show that when we have applied these kinds of principles, it has resulted in good program success.

Another issue here is called program stability. Once we put the F-117 in a budget, nobody fooled around with it. They did not tweak it.

We put significant management reserve in for the program manager. He had some uncertainties. But money was there to fix it.

Typically, in programs that are outside of the process, it gets a lot of scrutiny. There are cost caps put on things. There are reductions, yearly reductions in programs, which causes these things to be completely restructured every single year.

And I think stability has a lot to do with it. And of course, one of the things that I am trying to insist upon with the spiral development is that we properly price the program. And I have taken independent cost estimates, rather than the program manager estimates.

Program managers tend to be too optimistic. We pay them to be optimistic. We want them to be optimistic. But we also want them to be realistic.

So if you properly price the program, using a higher estimate normally than the program manager, and you institute spiral development, then I think I have a better chance to bring in the program at the cost that I told you we can deliver. The worst thing that can happen is to go in and nickel and dime every program.

And unfortunately, there is tendencies to do that through various committees of Congress. And I can understand that. But it would be better for us for the Congress to kill a program outright, rather than trying to make ten programs sick and taking money out of

every one of them. If you have ten programs, kill one. I would much rather see it done that way than the other way.

Mr. KLINE. Well, I hope we can do a better job. I suspect that everybody on the committee would like to see this process succeed. It is just outrageous that it takes as long as it does. The acquisition cycle is too long.

So I wish you and your successor a great success. And I look forward to working with you.

And I had a very local question, which I was going to ask, but I see my time has expired. So I will yield back. Thank you.

Mr. SAXTON. Thank you very much, Mr. Kline.

Mr. Meehan.

Mr. MEEHAN. Thank you, Mr. Chairman. And I join with my colleagues, Mr. Secretary, in thanking you for your service to the country. I suppose, in an afternoon hearing like this, you are probably figuring now is as good a time to retire as any. [Laughter.]

I would like to raise an issue that deals with the upcoming base realignment and closure (BRAC) round in 2005. I think that you, better than anyone, understands how important it is to the Department of Defense to continue to have access to our nation's greatest technological capabilities.

How the upcoming BRAC addresses the Department's product centers and laboratories, I think, will go a long way towards determining where our outstanding defense science and technology base, whether or not it is maintained. My concern is heightened by the Department's performance in past BRACs when it looked at closing and realigning these class of facilities.

It is one thing to close an air base. You move the squadrons, the planes, the warfighters and the support personnel to a new home. And then the squadron continues to perform as before.

But when you uproot a product center or a lab, there is much more involved—the industry, the academic institutions, Federally Funded Research and Development Centers (FFRDC), the people who make the support network function. It is not so easy to move or to reconstitute.

The description of the program management can also be significant. The availability of talent to support operations is not identical, depending upon which part of the country that you are in.

We can accept, I think, the importance of these issues. But the problem is: how do we measure them? How do we quantify them for the purposes of BRAC evaluations?

In the past, the approach to measuring key criteria failed, plain and simple. And I will give you an example. In the last BRAC, the product centers, like Hanscomb Air Force Base, for example, in Massachusetts, whose job is to manage the acquisition of advanced Command, Central, Communications, Computers, and Intelligence (C4I) systems for the Air Force, was evaluated for the length of its runway.

Now maybe I should not complain about it. I guess it is a pretty good sized runway. And maybe it helped in our evaluation process.

But I think it illustrates that, in previous BRACs, the evaluation approach was generic for all bases. We cannot have a one-size-fits-all approach and expect that our labs and product centers are going to end up improved or streamlined.

This is also a problem that I think is relevant to the Army Soldier Systems Center in Natick, Massachusetts.

So what is the plan to address the important challenge of how to effectively downsize our labs and product centers without ruining these world-class institutions? What type of criteria will be used to measure the intellectual and technical capital of the region? And will it have an appropriate impact on the evaluation of product centers and labs?

These are harder to measure than numbers in terms of access square feet available on a base or the length of the runway. But they are also critical, I think, to preserving the Department's technical excellence.

If you shut down and move an organization that is managing the development and procurement of a multi-billion dollar command and control system, and many of the people that are instrumental to that operation's success stay behind, what kind of destruction to the success of the problem will we be risking? And is this factor of program risk being considered in the evaluation scheme?

Secretary ALDRIDGE. Yes. Let me try to address that. The process of BRAC has just got started. There are two different approaches.

One approach is looking at each military service and its own unique abilities to perform its missions. There is another process that looks across the military departments for activities, such as laboratories, training and education, things of that nature.

It so happens that I chair that committee which looks across the services. And my successor will continue to do that.

We have just had two meetings. And we divided the cross-service activities into six areas, one of which includes what you are talking about, which is called the technical area. That panel is chaired by Dr. Ron Sega, who is our DDR&E, who is a technical person and who has responsibilities for the laboratories and activities of that nature.

He is in the process right now of determining the analytical framework by which he will evaluate what we are going to do in the infrastructure for the laboratories and the technical base on which we do our technology development. And we will see that next week as to how he plans to approach it. The things that you mentioned certainly have to be part of that because I know he is interested himself in ensuring that we have the right technical base and we are not disrupting that when we go through this process.

Mr. MEEHAN. Would you agree, Mr. Secretary, that in terms of evaluating a base like Hanscomb, that perhaps the length of the runway would not be a good——

Secretary ALDRIDGE. I absolutely agree with that, that that is not one of the issues. In fact, in my prior life, I was part of a center in Los Angeles, as part of the Space and Missile Systems Center. And I understand that process very well.

Mr. MEEHAN. Thank you, Mr. Secretary.

Mr. SAXTON. Thank you very much, Mr. Meehan.

Mr. Israel.

Mr. ISRAEL. Thank you, Mr. Chairman.

Mr. Secretary, honor to be with you. I would just like to spend a few minutes discussing not the process and procedure of acquisition, but what we are acquiring. And I would like to commend to

your attention an editorial that appeared in the New York Times a couple of weeks ago. I just want to read, very briefly, a few excerpts from that editorial and receive your comment on it.

The editorial was a headline, "The Weapons We Need Now," that talks about our engagement in Iraq, and notes that, "We are seeing how much the future will depend on the military's ability to fight ground wars against guerrilla soldiers and take villages and cities using ground forces, rather than all-out bombardment of heavily populated areas."

"The Defense Department," the New York Times says, "is still buying weapons systems designed to fight the well equipped super-power enemies of the 20th century, rather than the mobile, unconventional forces likely to be fielded by the rogue states of the 21st. Every dollar spent on yesterday's unsuitable weapons is a dollar no longer available for the more pressing needs of tomorrow."

And then the editorial concludes, "The production cycle of new weapons is typically 10 to 15 years. Shifts in purchasing now will start reshaping American forces in the field sometime early in the next decade. There is no time to lose."

I was wondering, Mr. Secretary, if you can comment on the gist of this editorial?

Secretary ALDRIDGE. There are two pieces of that editorial, one of which is that the acquisition cycle time is too long. And I absolutely agree with that. That has been the focus of what I have been trying to do the past two years.

And the evolutionary spiral development is one approach to that, to get something in the field sooner that is more appropriate for the threat, and to get rid of the older, obsolete equipment faster, which is—takes usually, the operating and support costs is growing with older systems, and to do it with less cost uncertainty and risk. And that is what that is all about.

So the point of getting acquisition cycle times down, I absolutely agree. I think the Secretary of Defense has said that in his confirmation hearing.

The other part of it that we are buying systems that are out—I guess in the Cold War, I do not agree with that. We had made a conscious decision to stop doing things with the legacy forces.

And a good example—the Army slowed down the Abrams tank upgrade and the Bradley upgrade, with a lot of consternation from many members of Congress, by the way. But took out \$1.3 billion and moved that money into the Future Combat System. Absolutely the right thing to do. The idea of the Stryker getting more mobile is the right thing for the Army to do and to move out with the Future Combat System.

So they actually removed the funds for the legacy programs to pay for the future. And we agree that is the right thing for them to do.

So the other programs we have going, the F-22, clearly, in order for the Future Combat System to work or anything on the ground, you have got to have air superiority, air dominance. That is what that is going to provide you.

You need to be able to do—go after highly sophisticated surface-to-air missile (SAM) defenses that give you that capability and the precision target areas. And that is what the Joint Strike Fighter

does. And you talk about Comanche; that is going to fit in with the Future Combat System, with a lightly armed reconnaissance capability with stealth technology. It is the right thing to do.

All of our command and control and information systems are focused on trading information for armor, as I pointed out before. That is how we are going to win the future, is being able to be fast and have lots more information than the adversary has, to be able to hit him before he even knows you are there.

Mr. ISRAEL. Let me just quickly follow up on the issue of air dominance. One of the points—one of the arguments that this editorial makes—and I quote—"The most dramatic adjustments need to be made by the Air Force, which has too heavily committed its future to short-range tactical fighters, like the new F-22, a plane loaded with expensive aerial combat features that makes sense only if Washington is planning to fight Russia or one of our NATO allies, the only other countries now building advanced fighters."

Do you want to take that on?

Secretary ALDRIDGE. I would be delighted to take it on, but not in an open hearing. I disagree with the threat assessment. We know of activities underway in many countries that provide a capability which is fairly—it could be superior to our current F-15s. And the F-22 just dominates that capability.

We do not want any fair fights. We want to be absolutely dominant in everything we do.

Mr. ISRAEL. Fair enough. In the short time I have left, one other quick question. In a prior editorial, the Times—you actually mentioned that the budget includes \$24 billion for transformational activities. A prior New York Times editorial said that the Administration is requesting \$135 billion for weapons development and production, but only \$15 billion will go into new weapons technologies and useful weapons systems like submarines and advanced communications information technology.

Secretary ALDRIDGE. The numbers are wrong.

Mr. ISRAEL. The numbers are wrong?

Secretary ALDRIDGE. It is \$24 billion in the fiscal year—they could be talking about fiscal year 2003, which we had about \$17 billion in 2003. In 2004, it is \$24 billion. And that includes unmanned aerial vehicles (UAV). It includes guided-missile submarines (SSGN) conversions. It includes a transformational communications system that gives us wide-band width in space, the fiber optics in space, so to speak. Space-based radars, things of that nature, all are in the \$24 billion number.

Mr. ISRAEL. I see my time is up. And maybe we can follow up another time.

Mr. SAXTON. We are going to Mr. Wilson next. But before we do, I just want to get your—just follow up on a point that Mr. Israel made, just to get your thoughts on it before we do not see you again.

It seems to me that we have established the beginning of a new chapter in 1990 and 1991, when we fought the Gulf War. It was a conventional war. We were extremely successful. Saddam's military capability was rated at that time as number—I forget whether it was the fourth biggest army or the fourth biggest military apparatus in the world.

And in 45 days or whatever the timeframe was—it was not very much—we had won the battle and we came home. And the rest of the world looked at it and said, “Wow.”

And since then, the threat that we have faced has evolved into something that we call terrorism, which is not a new threat, but it is a different threat. And Mr. Israel made the point—and I think to a large degree he is right. You are right, too. We have come a long way in dealing with it.

But it seems to me that maybe we are not able to make the transition as fast as we need to make it, from continuing to be able to fight a conventional war, to adding the capability to fight the war on terrorism. And I am interested in what you think about that.

Secretary ALDRIDGE. Well, the war on terrorism is a widely dispersed type of war that we are fighting, with threats which are not very clear—whether it is an airplane or a suicide bomber or a truck that is laden with explosives. How do you respond to that?

In 1991, when I was thinking about this, in 1991, we were fighting in a country that had been invaded by a foreign force. And we fought back essentially with massive armor, artillery, kind of pushing them out of the country with their supply lines.

And we did it. And it was over within 100 hours, or at least the ground war was.

The war in Iraq is a little bit different than that. We are fighting in their homeland against entrenched pockets. And we are trying to move into an area. And it is a little more difficult in that regard. And it tells you that maybe the forces that you need for the future are more like the Future Combat System than they were like the 1991 Gulf War, with massive armor going after, pushing troops out.

They needed to hit them in key spots, which are located around the countryside.

Mr. SAXTON. I think I may have given you the wrong impression. I was not talking necessarily about the conventional war that we are fighting in Iraq today. I was talking about the terrorist cells that we have a very difficult time finding. I was talking about the threats posed by their terrorist cells, which involve weapons of mass destruction, particularly biological weapons.

I was talking about the intelligence capabilities that we need that we—at least we have not been able to—we have done okay, but we have not been able to solve the problem with al-Qaeda because we do not know where they are.

These are capabilities that are different than they were during the Cold War, different than they were—the needed capabilities are different than they were during the Cold War, different than they were during the 1990s and capabilities that we do not have a sufficient of today to solve these problems.

Secretary ALDRIDGE. I understand now better your question. As a matter of fact, it is the integration of lots of data.

And of course, it gets back to the question—we have a project in Defense Advanced Research Projects Agency (DARPA) that has received a little bit of controversy. It is called the Total Information Awareness program, which is trying to work on tools that would allow the intelligence community to go after a wide variety of information from various databases to close in to be able to predict

ahead of time what terrorists may do and may give us the ability to react. That is one piece of it.

Certainly, the other pieces of it are the chemical-biological detection systems that we have to, if they do in fact use the weapons of mass destruction, we would know about it sooner. We are working on vaccines to be able to help. If once they use the thing, can we vaccinate ourselves against this kind of stuff?

And of course, certainly the medical treatment afterwards and the responding of how you respond to these kind of things. All of these are new things that we have not been associated with, with the Department of Defense. It is a different direction.

The CHAIRMAN. I totally agree with you. And I guess—I am just going to make a final thought and then we are going to go right to Mr. Wilson.

The final thought on this subject is that, just as we took money from legacy systems to develop more conventional systems, conventional systems for the future, maybe what we need to do with our finite resources is to look at these new demands on our resources and think about our conventional capability, which is pretty good today, compare it with our lack of capability in some of these issues that have to do with terrorism, and maybe move some of those resources around in the not-too-distant future, to develop these capabilities.

You and I, I think, are agreeing on this point.

Secretary ALDRIDGE. Yes, sir.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And thank you, Mr. Secretary. And best wishes on your future endeavors, too.

Secretary ALDRIDGE. Thank you.

Mr. WILSON. I particularly appreciate your procurement efforts. I was very impressed with the Stryker, the development of the Comanche. As a member of the National Guard myself, I have seen firsthand the excellent equipment we have.

I have got three sons in the military. I hear from them, the equipment that they work with. And it means a lot.

I had the opportunity in February to be at Camp New York with the 3rd Infantry Division and then visit with the 1st Marine Division, the 82nd Airborne. I got to see their equipment. So I feel very good about it.

But I am concerned about how quickly important equipment is being provided to the Guard and Reserve, particularly with their ever-increasing missions. For example, the Army National Guard had expected a number of active component Black Hawk helicopters to replace the Huey, which was planned for retirement. But at this time, there has been a delay in providing the Black Hawks.

What is the Department of Defense doing to provide the Guard and Reserve with upgraded equipment? And what—and I think I already know this answer—but what can Congress do to help you?

Secretary ALDRIDGE. Well, as you know, Congress has been quite supportive of the Guard and Reserve for years. And when I was Secretary of the Air Force, were providing many of the C-130s on an annual basis that would be used to modernize the Guard.

The Guard has some terrific missions. And when I talk about Guard and Reserve, I am talking about all the services. And I

know perhaps the Air Force is best at integrating the Guard and Reserve into the active forces better than perhaps the other services are.

And what we are doing about that, obviously, we are looking at recapitalizing the tanker force, which has a very large component of the force of the Air Force side of it. I am just not that familiar with exactly what we are doing in the Army, in terms of acquiring or outfitting the Guard. And I will have to get back with you with specific answers.

But I know the importance of the Guard and Reserve clearly has been highlighted in this particular war, with the amount of call-ups that we have had, to show how dependent we are upon the Guard and Reserve. And I think the war on terrorism and the fact of what they are doing inside of our country, in protecting many of the bases and facilities that we have here, are pointing a very strong role for homeland security. And perhaps it may be a stronger future role there.

So I believe that—and I know that David Chu, who is Under Secretary for Personnel and Readiness, has a study underway looking at the future of Guard and Reserve in the context of the new world order. But I will have to get back to you on the Army, the specific things that the Army is doing for modernization.

Mr. WILSON. And even specifically, the 218th Mechanized Infantry Brigade of South Carolina is in homeland security. And I know my fellow Guard members are really enthusiastic and excited about serving.

And then, right in line with what you had referenced with Congressman Israel, I understand that DOD is terminating investment in older systems. And you mentioned the Abrams and the Bradley. How are we maintaining, as these are terminated, the current readiness?

And additionally, will the termination of these programs—how will this affect the Guard and Reserve?

Secretary ALDRIDGE. I think you misunderstood me when I said “termination.” We are scaling back the amount of recapitalization of those pieces of equipment. And we will keep operating them, obviously.

And I know, in the case of the Stryker, there is a Stryker brigade that is going to be in the Guard.

Mr. WILSON. In Pennsylvania.

Secretary ALDRIDGE. Yes, sir. And I do not think they have a plan yet for the Future Combat System of how that is going to be distributed. But that is about all I recall, sir.

Mr. WILSON. And what I am really expressing is a concern about a lack of modernized mounted forces for the Guard and Reserve. And if that could be addressed—

Secretary ALDRIDGE. Let me take it for the record, if you do not mind.

Mr. WILSON. Thank you. I yield the balance of my time.

[The information referred to can be found in the Appendix beginning on page 1229.]

The CHAIRMAN. Thank you.

Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. I appreciate the opportunity to hear your valedictory remarks. It seems to me that perhaps the committee should consider a more detailed debriefing, because you have a lot of wisdom that probably needs to be shared. And I do not know whether it is better to have that before or after your formal retirement.

I worry about some of these generals on TV who seem to know everything now that they have retired.

Secretary ALDRIDGE. Old generals do not fade away. They go on television. That is what they tell me. [Laughter.]

Mr. COOPER. I think military procurement has been a problem for so many decades, we cannot even count. Here you are, current leading expert. We need to wring as much knowledge from you as we possibly can, without your fear of being politically incorrect or whatever. It is time for us to fix these problems once and for all, instead of talking about them for another several decades.

I am worried that there is going to be an end-of-the-decade train wreck, when a lot of these large weapons systems reach procurement maturity. And it does not seem like the budget, as presented to us, has enough money in it to fund all these systems.

You will be long gone. But if I add up the F/A-22, the Joint Strike Fighter, the Army's objective force, the CVN-21, missile defense, space upgrades, I do not see how there is enough money in the projected budgets in the program objective memorandum (POM) to cover that.

Secretary ALDRIDGE. Well, the assumption is that the defense budget will continue to rise. That may be a faulty assumption.

But it does fit in the Future Years Defense Program (FYDP). All the programs do fit within the five-year Future Years Defense Program. The things that you have to realize is that there are some programs that will be terminating, like the F-22 will stop in the year 2012. So that funding will end for that.

The F-18 stops at around 2012. C-17 plans to stop—I do not recall—but sometime in that timeframe, depending on how many we want to buy.

So we have to think about things that are going out of—the procurements are going down as well as those which are coming up. But from the point of view of looking through the fiscal year 2009 period, the budget that I have seen, under the assumptions of the projected growth pattern for the Department of Defense, we can fit these programs in the budget.

Mr. COOPER. CBO, as Chairman mentioned in his opening remarks, thinks that you have traditionally underestimated the cost of these programs and sees a serious deficiency right now. Is CBO wrong?

Secretary ALDRIDGE. Well, the CBO recalled the old method of costing the programs, not the new method. We had a significant cost increase, you recall, last year in fiscal year 2003 because we added—we properly priced the programs. And I have been insisting that we do that, including the out year costs, by using independent estimates, as opposed to program manager estimates.

So when I tell you in a program for the F-22 or Joint Strike Fighter, it is the best I know how to cost the program, as accurately as I know, with sufficient confidence that I believe we can

deliver the program at that price, from what I know today. Now, sometimes we do get surprised. Things will happen.

But in the case of the programs that I have instituted now, we have used the Cost Analysis Improvement Group—the CAIG—used their cost estimates on almost all of our programs, as opposed to using the program or the service estimate.

So I feel confident that the budget that has come to Congress, the programs that are funded, are funded as best we know how to fund them.

Mr. COOPER. Well, I hope you are right. And I would ask your advance permission to get you out of retirement to come back and talk to us in a few years, if you are not right.

Secretary ALDRIDGE. My rates will be quite reasonable. [Laughter.]

Mr. COOPER. You mentioned that almost half of the waiver requests for foreign sourcing supplies comes from Congress. Is this a publicly available list?

Secretary ALDRIDGE. I was just—there was a note from my staff that let me know that. I do see a lot of them myself. And we can probably give you some more information about that.

Mr. COOPER. I would suggest that it be publicly disclosed. Is there a list of supplier nations, like which countries get the lion's share of these contracts?

Secretary ALDRIDGE. We have to supply a report to Congress on an annual basis of the contracts, what we have bought from foreign nations. In fact, I signed that report out just a few days ago.

Mr. COOPER. So there is a list like if England is number one or France is number two, or whatever the lineup is?

Secretary ALDRIDGE. I do not recall exactly how it is broken out. But I know it is broken down by country. I do not think it is by contractor.

I will check in to see what we can provide on that.

Mr. COOPER. I appreciate that. I see my time has expired. Thank you.

Mr. SAXTON. Some of us are working hard to see that France slips down that list some.

Dr. Phil Gingrey.

Dr. GINGREY. Thank you, Mr. Chairman.

Mr. Secretary, I was pleased with your remarks earlier in regard to the F/A-22 and the Joint Strike Fighter and the need to accelerate the procurement process so that that technology does not become dated before we actually have those planes in the air.

But during the early and mid-1990s, I do not think anybody would argue that the Department of Defense sort of took a procurement holiday, if you will. And throughout that period, the services lived largely off of equipment bought during the defense buildup of the 1980s. And as a result, many of the aircraft, ships, vehicle fleets are being retained beyond their projected service life, driving up operation and maintenance costs.

And I want to know what has been done? What do you think this has done to our current state of readiness? And what do you see for the future, particularly your successor?

Secretary ALDRIDGE. I would not say that the readiness has been degraded. We made a big attempt in the last two years to really

put funding that would retain our readiness in flying hours and spare parts and things of that nature. So I do not think that readiness would be the question.

But it is true that we, in the procurement holiday, we are now faced with a lot of either spending a lot of money to replace the equipment that has now come due. We bought all that stuff in the 1980s, as you pointed out. And now it is the 2000 period. And it is 20-plus years old.

And some of that equipment is getting obsolete. And, in fact, we see the tanker fleet going through corrosion problems and long times and depots. We have F-15s that really need to be retired; F-16s the same way.

You look at the average age of our tactical Air Force, we would like to have that at about 15 years. But it is now like—the average age is like 22 years.

There is no way we can afford to buy all that stuff at the same rate we bought it in the 1980s. Clearly, one of the issues we are facing right now is: what do we do about 544 KC-135s? We bought those airplanes 40 years ago. They have got to be replaced. And when you look at the budget to replace 544 aircraft, it is enormous.

So the procurement holiday was a period of time when we—it is now time to pay it back. We took a holiday. And now it is time to go back to work. And unfortunately, what we have to address is going to be very, very expensive if we are going to replace things on a one-to-one basis.

So therefore, we are not. It is clear that we are not going to replace the F-15 with one F-22 for every F-15. We would have to buy over 700 of them. So we are going to buy fewer of them.

The Joint Strike Fighter is probably going to be less than the number of F-16s we bought. Unfortunately, you know what is happening with the shipbuilding program. It is not building at a rate we would like to sustain it.

We would like to build 10 ships a year. We are building—we had five last year and seven we are asking for this year. All those are things that we are going to have to live with.

Now we look at the navies of the world; there is no navy in the world that can take on the United States Navy. So maybe it does not have to be a 600-ship Navy that we had back in the 1980s. And 300 may be okay.

But they are going to be very capable ships. And I think we are just going to have to—the number of ships we have and the number of tankers and the number of fighters and things of that nature are going to be smaller because we just cannot afford to replace all the things that we have on a one-to-one basis.

Dr. GINGREY. I yield back the balance of my time, Mr. Chairman.

Mr. SAXTON. I would just like to compliment you on that last statement. That was exactly what we were saying before. The threat has changed. And the old threat, that we keep trying to meet our capabilities to meet that threat, is no longer there.

But there is a new threat. So while we are downsizing our 1990's conventional threat capabilities, while we are downsizing that, there are a whole series of other things that we need to step up to the plate and meet.

Secretary ALDRIDGE. Also, the commitments around the world are increasing. So all this is pushing and pulling the Department. Mr. SAXTON. Mr. Tom Cole.

Mr. COLE. Thank you very much, Mr. Chairman. I am sorry my good friend, Mr. Israel, is gone. I was going to use him to assure the New York Times editorial staff, as a representative of a district that was married to the Crusader, that you can indeed make the tough decisions and in Cold War weapons systems.

But that brings a point: could you, Mr. Secretary—and thank you again for your distinguished service to your country. Could you update me on the status of the follow-on artillery system to the Crusader now?

Secretary ALDRIDGE. Not in any specific detail. We have the non-line of sight capabilities being put as part of the Future Combat System. And I have not gotten briefed on exactly where that stands in the development.

But I know it is a key part of the program. And we moved, as I recall, about \$3 billion of the Crusader funding into that line item. And it is now part of the Future Combat System called indirect fires.

I am sorry I cannot give you any more of a detailed status of that because I get briefed on the 14th of May when all this comes together for the Future Combat System. On the 15th I could tell you better exactly where all that stands.

Mr. COLE. Are you still comfortable on line for 2008?

Secretary ALDRIDGE. I would say that we are working toward the 2008. I am a little skeptical. But I have an open mind whether we are going to make the 2008 date. We are trying. And the funding has been allocated to make that purpose.

But whether all of these pieces can come together in an integrated way, with all the command and control system, to make it work because it is absolutely essential that it has got to work with the command and control system.

Why do I say that? We have traded—again, we have traded information for armor. And when we do so, we cannot afford to get close to the enemy. And we cannot afford for that command and control system to fail us. So it has got to be as survivable as the Future Combat System is survivable, because without it, the Future Combat System does not work because you cannot afford to get close to the enemy when you do not have the armor.

So will all that come together in 2008? We are trying to make it happen. Whether or not we can make it happen and give us high confidence, I am going to wait and see what the Army has to say on May 14th.

Mr. COLE. Mr. Secretary, I would ask you, if you could, to see that as quickly after that as you can; I would love to be briefed on that and would particularly appreciate your conclusions.

Secretary ALDRIDGE. Okay, will do.

Mr. COLE. I yield back the balance of my time. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Bradley.

Mr. BRADLEY. Thank you very much, Mr. Chairman.

And Secretary Aldridge, along with everybody else, I thank you for your fine service. I have two questions. And this is an area that we have not gotten to yet this afternoon.

But it is my understanding that, at least for the next 10 years, our submarine force level will be at or below the 55 submarine minimum requirement that the 1999 Joint Study of Attack Submarine Structure recommended.

Now considering that over the next 25 years, the Virginia-class procurement rate is too low to replace our existing submarine force, and considering the events since then, why are we not refueling all of the Los Angeles-class submarines?

And why are we contemplating decommissioning submarines that we could refuel for a lot less money and get back into a fleet at a low cost and in a shorter timeframe?

Secretary ALDRIDGE. I am going to have to get back to you. I do not know the exact schedule for all these replacements. I know—I will start by saying I think the Virginia-class submarine production rate is too low. And we would like to get it to at least two per year as quickly as we can.

There is plans to do that in the five-year future year defense budget. So as a result, our submarine force structure will drop a little less than what we have. But I do not know the exact reason why we cannot refuel. I will have to get back with an answer.

Mr. BRADLEY. Yes, I would appreciate knowing that.

My second question, I am sure that you saw our chairman's very convincing and compelling editorial in the Wall Street Journal a couple of months ago, in which he—and I am paraphrasing—but basically, he indicated that the \$380 billion DOD budget was not adequate, quite frankly, to meet the defense needs of our country.

And just wanted to get your thoughts on it. I know that you are in a position where you are trying to defend that budget. But where is he incorrect? Because I think he did make an excellent case.

Secretary ALDRIDGE. Well, I think, clearly I am supporting the President's budget. The budget has to look at the whole federal picture, rather than just the Department of Defense. But I have been on the record by saying, you know, the budget that we have is balanced to the best of our abilities against the near-term and far-term risks, against the things we need to do with our people, our infrastructure, our equipment, our readiness.

And we have done that. But there are things that the budget did not do. It did not get the shipbuilding rate up as high as we would have liked. We would have liked to have gotten the substandard family housing units replaced at a faster rate.

We would like to have gotten our tactical air (TACAIR) modernization plans a little higher, get the average age down. We would have liked to have done more in our science and technology budget. I have a goal to set it at three percent of the DOD spending. We got it to 2.7. I would like to get it up a little higher.

These are things that we would have liked to have done in general. And overall, I think we did the best we could do with the resources we got.

But there are some things we would have liked to have done more of. But we did not.

Mr. BRADLEY. Thank you for your answer. And I yield back my time.

Mr. SAXTON. Thank you very much.

Mr. Ryan.

Mr. RYAN. Thank you very much, Mr. Secretary, too. We are going to wrap things up here shortly.

I am going to kind of rehash some of the questions that were brought up earlier. There was a study done and finished by the Department of Labor, employment training study. It was an administration finding that said that—which basically certified workers' claims at RTI, which is a titanium company in Niles, Ohio, that their job loss was due to Boeing importing their titanium from Russia and not buying it from the local company.

And the community that I represent—this is an older steel community with a lot of unemployment, that these jobs are precious. And so, I guess, as we talked a little bit today, can you enlighten me on the waiver process to the Berry Amendment, as far as what do you take into consideration? Where do you gather your information, as far as making a decision to grant one of these waivers?

Secretary ALDRIDGE. Well, it is a process by which we do not start off by saying, "Let's see where we can find foreign products." It is a process by which we look at what we need for the weapons system that is being procured. I am not aware of exactly what the decision process with Boeing was.

I believe it was for a commercial airplane, rather than a military aircraft, but I am not positive. I will have to go back and look into that.

But the process is very deliberate. And it is inclined to pick U.S. firms to do this work. Because in the Department of Defense, we did not like to rely on non-U.S. organizations to provide a product for us.

And it usually has to have a very good reason why this is in the best interests of the United States to make a waiver. And it is not done in any light form. It must have a particular reason.

And I do not recall any of them that we have had a waiver for—in fact, I do not even remember writing a waiver any time in the last year or so—that is done in a way that would imply that we are encouraging such industrial base transfer to non-U.S. companies.

Mr. RYAN. I did not mean to suggest that I thought you were encouraging it. I absolutely do not think that is the case at all. I think this may just be a systems problem.

But my concern is that, for one example, a waiver for the Berry Amendment was granted on December 17 of 2002. And I think this Pratt & Whitney, but I am not completely sure. And the subsequent granting of the waiver was three days later, while basically not even consulting the titanium company as to whether or not they could supply the materials.

And so my concern is that we are granting these waivers to the Boeings of the world and allowing them to procure their titanium or whatever specialty metal it may be, without even asking the titanium companies if they have the ability, if they are qualified to supply this kind of material. And so I do not think it is fair for us to say we are doing everything we can, but at the same time, not

even putting these companies on notice, which I think is completely unfair. If you could maybe talk about that?

Secretary ALDRIDGE. Well, I am afraid I am not familiar with the exact process. But let me get back with an answer for the record for you because I will go back and check to see what was the process and why was not a company asked could it supply these capabilities? I will have to get into the details.

[The information referred to can be found in the Appendix beginning on page 1230.]

Mr. RYAN. All right. Thank you. Appreciate your help. That is one of things we are trying to do as far as the Berry Amendment. And we are forming a Berry Amendment Caucus because this is finding its way through many congressional districts throughout the country, whether it is nickel or titanium or whatever specialty metal it may be.

That was one example. Another example was a waiver that was applied in 2002—and this was Pratt & Whitney—that was granted retroactively for seven years back to 1995, which basically says they were violating the Berry Amendment for seven years. And so I am new to this committee, but this is kind of confusing for those of us who are fighting for the industrial base that has been brought up seven or eight times here today in your going away party.

And I just think this is something that is not going to go away. And whether it is your successor or those people in the Administration who are dealing with this problem, need to know that this is striking a chord in many congressional districts across this country.

Secretary ALDRIDGE. I think we need to—and I will go back and check to make sure I have got all the details on this—but in some of these cases, there may be some foreign content in some piece of something that they were getting waived on. And they did not realize it until after the fact. But I do not know for sure.

I will give you an example. We cannot put Oreo cookies in meals ready to eat for our troops because we cannot validate that there is not foreign content somewhere in the Oreo cookie. That is taking things to the extreme and absurdity.

And so, some of these things I think we can work out to make sure that we can get types of these kind of things resolved. Because in some cases, this is—and in some of the textile in uniforms, we were threatening small businesses because they could not validate that some piece of goat hair from some foreign country was not in a uniform; and therefore, they could not bid on it because they do not have the resources.

That borders on absurdity, as well. So I think there are ways we can work this out to give us flexibility to meet what we need to do without pushing it to these weird extremes. And I will go back and make sure I understand the details.

Mr. RYAN. I appreciate that. And I appreciate your concern. And we certainly do look forward, not only through this committee—I know Chairman Manzullo has also taken a major interest in this through the Small Business Committee. But our obligation here, Mr. Chairman, is democracy and defending democracy, not worrying about someone's bottom line somewhere.

Secretary ALDRIDGE. Our industrial base is very important here.

Mr. RYAN. Well, we are losing it. And I know we are losing it for sure in the titanium industry.

So thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. SAXTON. Actually, Mr. Secretary, you may be what—Mr. Ryan and I and the chairman met with representatives of the titanium industry late last week, together with some representatives from DOD on this issue. And it is a great concern of many members of Congress.

Secretary ALDRIDGE. I understand.

The CHAIRMAN. Mr. Langevin.

Mr. LANGEVIN. Thank you, Mr. Chairman. Good afternoon, Mr. Secretary. Thank you for your testimony, for being here today. And I want to join with my colleagues and thank you and thank you and congratulate you for your many years of distinguished service to the Department of Defense and to the Nation.

And now, as you begin a well-deserved retirement, I wanted to know if you had any words of advice or thoughts for your successor and for Congress about the obstacles that still remain in establishing a transparent, expeditious and cost-effective defense acquisition process?

Secretary ALDRIDGE. As a matter of fact, I do. And some of those will come over in forms of various pieces of legislation.

Clearly, stay on the evolutionary spiral development track. Clearly, insist upon properly pricing program. Giving us a little more flexibility to handle uncertainties would be helpful.

Some of that, it is in regard to the allocation ability to transfer funds between R&D and procurement within certain limits because if any of these programs get in trouble, we can fix it right away if we just move the money from the procurement, which we would do since if the program is in trouble, we do not want to procure it quite as fast. Let us try to fix the program quickly. And it usually results in less cost over the long run.

Mr. LANGEVIN. Give us an example, a concrete example on something.

Secretary ALDRIDGE. Well, in the case of the F-22, we have had some problems with the test program. Because of the limitations in R&D and procurement, we have had to come back and ask for a reprogramming request for the F-22 to get the money out of the procurement into the R&D.

So it is exactly a dollar for dollar tradeoff. But it permits us to fix the program, rather than having to not have the reprogramming and within a certain threshold. We would like to have some more flexibility in the thresholds so that we can fix the problem quickly.

And there is a case that if we had a certain amount of threshold, we could probably do it ourselves, without having to come back and go through all four committees, with any one committee could say no. And the time it takes to get that done.

Now, that is probably an exaggerated example. But in many cases, these programs—in fact, some of the space programs, Space-Based Infrared System (SBIRS) High was another one that we had some problems and we needed to slip the program. We needed

some more R&D. And we could have done that internally within these threshold limits.

We just ask for a little more flexibility to solve the problem because I believe, by doing it faster, we actually reduce the cost and uncertainty.

Now those are some of the things that I think we can do that the Congress can help us. And one more, which is more of a plead, and I mentioned it earlier. There is a tendency, when we come over with programs, that congressional committees will reduce each program by some percentage—you know, \$50 million, \$100 million, \$20 million.

Every one of those individual small cuts requires us to go back and to restructure the program. Even though they are relatively small, they still require us to restructure the program, move some things around.

I had rather see the Congress terminate a single program and use the money for its own purposes than to try to nickel and dime every program. It would be better for us, so that I would not have to go back and restructure, which causes costs and uncertainty and turmoil in the programs. Because I have made a big effort to tell you when the program comes over here, it is properly priced.

And then to have a cut on a properly priced program just slips it out. Every dollar I take out of a program today, I put \$3 to \$4 back into it later. So it is false economy.

I would rather make one—if I had ten programs, I would rather have nine healthy ones than ten which all have had to be restructured. And so I would kind of plead, if you are thinking about reductions to move monies around for various priorities, think about a single program to be reduced, rather than multiple cuts from many programs.

Mr. LANGEVIN. Mr. Secretary, if you have additional thoughts on that very subject—

Secretary ALDRIDGE. I will do so.

Mr. LANGEVIN. We would welcome them for the record. And I may have additional questions, Mr. Chairman, for the record. But I thank you for your testimony.

Secretary ALDRIDGE. Thank you.

Mr. SAXTON. Mr. Secretary, I know you will be saddened to hear that we have gone all the way around the dais here, and we are all out of questions.

Secretary ALDRIDGE. I do not believe it.

Mr. SAXTON. And it is partly because we are hungry. [Laughter.]

But we want to thank you. We want to thank you for your dedication and for your service to the country. And today, thank you for your patience.

We will look forward to working with you for the next couple of months. And thank you for being here.

Secretary ALDRIDGE. Thank you, Mr. Chairman.

[Whereupon, at 6:16 p.m., the committee was adjourned.]

A P P E N D I X

APRIL 1, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

APRIL 1, 2003

OPENING REMARKS OF CHAIRMAN DUNCAN HUNTER

Hearing on DOD FY04 Acquisition Program and Policy

Tuesday, April 1, 2003

Today, the committee continues hearings on the fiscal year 2004 defense budget request by focusing on the proposed defense acquisition program and associated policy.

Our witness this afternoon is:

- The Honorable Pete Aldridge
Under Secretary of Defense for Acquisition, Technology and Logistics

Secretary Aldridge, welcome back to the committee.

Before we proceed, I should note that yesterday Secretary Aldridge announced his plans to leave government service after dedicating 18 years of his life working in numerous important positions throughout the Department of Defense.

As this could very well be the last time you appear before this committee as a government official, we want to thank you for your years of dedicated service to the nation and wish you well on whatever future pursuits may follow.

But for now, we still have business to discuss.

We meet this afternoon as hundreds of thousands of American men and women are answering the ultimate call of their nation by placing their lives at risk to liberate Iraq. Once committed to battle, these brave Americans are wholly dependent on the quality and effectiveness of the technology, weapons and equipment that we have provided them through our defense acquisition process.

Over the years, this process has produced the most technologically advanced and capable weapon systems known to

man. But, over time, this process has also become overly ponderous, expensive, and increasingly unable to take advantage of the rapid evolution of technology available in the private sector.

In my view, today's defense acquisition process:

- is too slow to field new technology and capabilities;
- is more interested in eliminating process and budgetary risk than yielding battlefield results;
- has way too many people involved consuming limited budgetary resources with little value added; and
- suffers from an entrenched culture and bureaucracy that is highly resistant to change and fairly successful at waiting out wave after wave of attempts at reform.

I realize that these are not particularly new observations or concerns, but we have reached a point where the cost and effectiveness of our acquisition process is resulting in diminishing

battlefield combat capability that we absolutely cannot sustain. Mr. Secretary, I sincerely hope that you and your successor will continue to work with us to vigorously attack these fundamental problems.

But even the most efficient process cannot compensate for years of under funding our modernization accounts. As I have stated before, this Administration deserves great credit for finally reversing the decade-long trend of declining modernization budgets. The past two years have seen significant increases to these accounts – particularly for RDT&E – to lay a solid foundation for next-generation capabilities critical to ensuring that our troops maintain a technological edge.

However, we seem to have stalled out on reaching a level of procurement spending minimally necessary to sustain our current forces with existing capabilities. The proposed level of \$72 billion for procurement in fiscal year 2004 falls significantly short of the

levels broadly identified as necessary to sustain the existing force with sufficient numbers of combat systems.

Further, we seem to be moving backwards in selected areas. The proposed budget recommends retiring or canceling programs in virtually every key combat category to carve out additional resources to reinvest in “transformational” future capabilities.

It is fair to say that there is broad support in this Committee and in the Congress for most of the Department’s transformation strategy. But that support cannot come at the expense of the very combat systems and capabilities that are sustaining our forces today in Iraq, Afghanistan and other areas of operations.

Our military forces will not prevail on today’s or tomorrow’s battlefield solely because they can talk to each other better or spot the enemy faster. They will still require a large enough inventory

of equipment to overwhelm and defeat any potential adversary as rapidly and with the least number of casualties as possible.

As Jim McDonough writes in today's Washington Post:

"As technology advances, the conditions of warfare change, but the essential elements of combat power remain timeless, no different today than when the Greeks and the Romans marched through the Tigris and Euphrates valleys."

Mr. Secretary, it is absolutely imperative that we keep pace and wherever possible leverage technological change. However, such pursuit cannot result in increasing operational risk to our forces by sacrificing those key combat capabilities that sustain our forces in today's very dangerous and unpredictable world.

I look forward to your presentation and trust that you will address these concerns during our discussion today.

Let me now recognize the committee's ranking Democrat,
Mr. Skelton, for any remarks he may wish to make.

[Following Mr. Skelton's remarks]

The entirety of our witness' prepared statements will be
entered into the record.

Secretary Aldridge, the floor is yours.

**Opening Statement for The Hon. Ike Skelton (D-MO), Ranking
Member,
House Committee on Armed Services
Hearing on Defense Acquisition Issues
1 April 2003**

Thank you, Mr. Chairman. Secretary Aldridge, welcome. I'm sure you're glad to be here, if only to avoid the boredom since you have so little to do these days. I would like to congratulate you on your coming retirement and thank you for all your years of service.

I'm sure that each of us has questions about specific acquisitions. But I hope that you'll spend some time talking about acquisition without the S.

I understand the Secretary's interest in reducing the overhead and regulation that slows acquisition. It's a manager's prerogative to manage his department and I think we all agree we should get

our troops what they need on the battlefield more quickly. But here's what worries me.

Many of the regulations and procedures that the Department seeks to reduce weren't just added to make things harder for you, although I know it seems that way. They were put in place to avoid specific abuses that we saw in the past.

I'll be interested to know how you intend to balance management efficiency with the people's right to know that their money is being well spent.

We've got programs all over the Department in trouble. Sometimes, like the F-22, it's money trouble. Sometimes, like the V-22, it's technical trouble. And there's a massive procurement bow wave in 2007 and 2008 that make these troubles look puny.

At the same time, the services are getting creative, and that's not always a compliment. I'll be very interested to hear your thoughts about leasing military equipment, or contracting out what have traditionally been government functions.

I'm glad we have had a man of your caliber to address these issues, and I hope that you can cover all of that in six or seven hours at the most.

Thank you, Mr. Chairman.

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HOUSE COMMITTEE
ON ARMED SERVICES**

STATEMENT OF

EDWARD C. "PETE" ALDRIDGE, JR.

UNDER SECRETARY OF DEFENSE

(ACQUISITION, TECHNOLOGY & LOGISTICS)

BEFORE THE HOUSE COMMITTEE

ON

ARMED SERVICES

April 1, 2003

**FOR OFFICIAL USE ONLY
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HOUSE COMMITTEE
ON ARMED SERVICES**

**Overview of the Department of Defense
Acquisition Programs, Reform and Workforce**

**The Honorable Edward C. "Pete" Aldridge, Jr.
Under Secretary of Defense
(Acquisition, Technology and Logistics)**

Chairman Hunter, Congressman Skelton, Members of the Committee:

Thank you for the opportunity to appear before you and discuss the President's 2004 Acquisition Programs, Reform and Workforce for the Department of Defense. We have made great progress in addressing barriers to efficient acquisition. I thank the Committee for its assistance in the creation of a professional acquisition corps, as well as for its support for pilot programs and other transaction authorities to speed the fielding of state of the art technology and better equipment to our warfighters.

Our current national security situation once again reveals a truth often forgotten during times of peace -- that the most important duty of government is the protection of its citizens. The support this Committee has demonstrated for our men and women in uniform honors that covenant. The successes of my office in our ongoing quest for excellence in defense acquisition are a measure of our attempts to honor the same covenant.

We made two types of decisions with this budget. First we are investing in the future -- rebuilding those systems that offer a return for future capability and increasing investments in joint and transformational technologies. Second we are stopping investment in the old or marginal systems -- reducing investments in the present to realign for the future -- while still preserving and improving the lot for our people and their families and where they work and live.

The Defense budget request includes \$61.8 billion for Research, Development, Test, and Evaluation (RDT&E) – a \$7.9 billion increase over FY 2003. It also requests \$72.7 billion for procurement, a \$4.0 billion increase over FY 2003.

The Fiscal Year 2004 Budget increases transformation technologies and capabilities. The Department continued and enhanced our investment in the Army's Future Combat System (FCS), the Army's Objective Force ground combat system which includes both manned and unmanned ground vehicles and dismounted soldier systems; in procurement of Stryker vehicles, the family of medium armored vehicles that is the backbone of the Army's Interim Force; and in development of the Comanche, the Army's Objective Force Armed Reconnaissance and Attack Helicopter. The Department is investing in additional technologies and capabilities in the CVN-21, the next generation aircraft carrier, and in the DD(X), one of the next generation family of major surface combatants. The President's budget continues to develop and will begin to field the Joint Strike Fighter, a family of low observable strike fighter aircraft for the United States Air Force, Navy, Marine Corps and the United Kingdom's Royal Navy and Royal Air Force, in addition to those of numerous other international partners. The Department also continues investment in the F/A-22, the next-generation air dominance fighter to counter emerging worldwide threats. In addition, funding was enhanced for Unmanned Aerial Vehicle (UAV) capability, such as that for Global Hawk to match platforms with sensors, and for continued procurement of smart weapons.

The Department also increased funding in several major defense acquisition programs to maintain schedules and to achieve realistic cost estimates.

An area that directly enables transformation is science and technology. In our FY 2004 request, the Department's Science and Technology program grows to \$10.2 billion, with almost the entire program directly supporting transformation capabilities. The program is focused on a number of transformational capabilities, including a new capability that I would like to highlight, the National Aerospace Initiative (NAI). It consists of research and development in hypersonic flight technology and other aerospace technologies. NAI could develop a Mach 12 system by 2012, and is one cornerstone of our transformation.

I said earlier we stopped investment in some systems. Resources are finite, so we accepted risk in certain areas. The department terminated investment in older systems and programs with only marginal contribution to the future capabilities we seek. We terminated 24 Army systems and programs, e.g., Crusader, Abrams upgrades, Bradley upgrades, ATACMS BAT, MLRS conversion and restructured 24 systems e.g., Medium Tactical Vehicles, Battle Command Systems, and Javelin. We accelerated the retirement of 26 Navy ships and 259 aircraft. For the Air Force, we accelerated the retirement of 113 fighter and 115 mobility and tanker aircraft.

As to my ongoing efforts to pursue Acquisition Excellence, in the past year we have been quite successful pursuing the five goals I established at the beginning of this administration. These goals were directly derived from those established by Secretary Rumsfeld for the Department as a whole. These goals are: improve the credibility and effectiveness of the acquisition and

logistics support process; revitalize the quality and morale of the Acquisition Technology & Logistics workforce, improve the health of the defense industrial base; rationalize the weapon systems and infrastructure with our defense strategy; and initiate high leverage technologies to create warfighting capabilities and strategies of the future.

Toward these goals, I've restructured the Defense Acquisition Board, and designated evolutionary acquisition and spiral development as the preferred approach. The opposite side of that coin must be the proper pricing of programs, which I have insisted upon. I have also approved a new process for the acquisition of services by DoD, mandated interoperability at program initiation, institutionalized the use of "Technology Readiness Assessments", consolidated and improved our acquisition education ("Electronic Distance Learning"), developed a comprehensive Future Logistics Enterprise, made changes to improve the health of the defense industrial base, instituted a new profit policy, increased Progress Payment schedules, eliminated inappropriate R&D cost sharing, encouraged non-traditional commercial companies to do business with DoD, accelerated the close-out of over-aged contracts, and exploited the enormous potential of Advanced Concept Technology Demonstrations (ACTDs).

Of course, we still have many things to accomplish. We need to further eliminate inappropriate "management" functions and marginal activities, continue to devolve functions that can be better accomplished elsewhere, further reduce acquisition cycle times, continue to minimize program risks, enhance program stability, continue to stress keeping costs under control, further establish a clear vision by which our logistics will better support our operational requirements, and accelerate the Flow of Technology to the Warfighter with a vibrant and robust research program.

I believe that increased use of evolutionary acquisition and spiral development is the key to reducing the acquisition cycle time. I have designated Evolutionary Acquisition and spiral development as our preferred strategy for fielding operationally useful and supportable military capabilities. They deliver advanced technology to the warfighter as rapidly as possible—with the explicit intent of delivering improved or updated capability in the future. Evolutionary Acquisition success depends on the consistent and continuous definition of requirements, and the maturation of technologies that lead to disciplined development and production of systems that provide increasing capability to the right materiel solution. Achieving the optimum benefit from Evolutionary Acquisition and spiral development requires early and frequent collaboration between the user, tester, and developer. We have been implementing evolutionary acquisition and spiral development over the past year and have instituted it in some of our major programs. Several examples of our evolutionary programs that will transform the battlefield are:

- The Future Combat System, a system-of-systems of aerial and ground, manned and unmanned combat vehicles linked via a command and control network.
- The DD(X) program which will continue development of a suite of technologies to be applied to the whole family of 21st century surface combatants, including: littoral combat ship, DDX destroyer and CGX cruiser.
- The new aircraft carrier, CVN-21, whose innovations include an enhanced flight deck, a new nuclear power plant, allowance for future technologies, and reduced manning;
- The Joint Strike Fighter (JSF) Program which will develop a family of strike aircraft, capitalizing on commonality and modularity to maximize affordability ; and

- Unmanned Aerial Vehicles, such as Global Hawk, where we continue to add new and upgraded capabilities.

The Acquisition Policy improvement initiatives we are pursuing internally will make a tremendous difference. The first of these is the complete rewrite of the DoD 5000 series of documents. Over the last year we have been taking a hard look at our acquisition policies and we determined last fall that the old policies were much too prescriptive. We concluded that they required revision to create an acquisition policy environment that fosters efficiency, flexibility, creativity, and innovation. Consequently, we cancelled those policies and issued interim guidance while we completed the final policies. I have also worked with the Joint Staff as they revise the policies concerning the requirements definition process. Our goal is to harmonize these processes and reduce the friction associated with unrealistic requirements or processes previously geared to produce the "100% solution", when an 85% solution could be achieved much faster without significant risk to the customer – the warfighter.

The final policies will shortly be published. They will take a long step toward achieving my objective by giving our senior acquisition decision makers much greater authority to tailor program strategies to fit the needs of their program; by placing greater emphasis on evolutionary acquisition as the preferred strategy for rapidly acquiring advanced warfighting capability; and by giving Program Managers the flexibility to be creative and efficient in the way they apply policy to their programs.

The flexibility that we have built in to these streamlined policies reflects the confidence I have in our highly talented workforce and in the dramatic improvements we have made to our acquisition education system.

I don't want to leave you with the impression that we are done. For as long as I hold this office, I will continue to aggressively pursue the development and implementation of new policies that will ease the burdens on our managers while producing stable, affordable and well managed programs that serve the needs of our warfighters.

The Department recently started another major transformation initiative to improve the acquisition process by dramatically changing the Defense Federal Acquisition Regulation Supplement (DFARS) and the processes we use to create and maintain it. The DFARS is nearly 20 years old and is about 1400 pages long. The last major review of this regulation was done in the late 80s. We've already determined that about 60% of the DFARS is driven by internal policies and procedures and not by statute or Federal policies. Our regulatory processes have been in place since the early 50s and take far too long to implement needed changes to policy and guidance. As part of the Department's overall transformation goals, we are taking a hard, new look at the purpose and content of the DFARS.

We chartered a task force under the direction of the Director of Defense Procurement and Acquisition Policy to identify changes to procurement policies, procedures, processes and authorities and submit proposals to me by early May. The task force will also identify opportunities for legislative change for consideration by the Administration to possibly propose

to the Congress in the FY 05 legislative cycle. We will remove or dramatically change parts of the regulation if we determine that doing so would improve and strengthen the efficiency and effectiveness of acquisition processes, reduce unnecessary costs and administrative burdens for Government and industry, and create an environment that fosters creative solutions to the unique challenges that face our acquisition workforce. Similarly we will retain those policies and processes that today, ensure adequate internal controls, implement our stewardship responsibilities to the taxpayer or maintain fundamental principles of integrity and fairness in our business relationships with industry.

We are aggressively challenging the acquisition community, including industry and the general public, to participate by proposing opportunities for change. We have contacted a broad range of industry associations that are already considering how they can provide input to the task force efforts. There is significant potential benefit to reducing regulatory burdens. Our main focus is to improve our processes and add value. However, we are on a clear path to reduce regulatory burdens under this initiative.

The Acquisition Workforce initiatives must be focused, as President Bush stated in a speech to government employees on July 10, 2002:

"We must be able to get the right people, in the right place, at the right time, with the right pay. We need to be able to reward excellence and ensure accountability for individual performance."

In order to get the right people in the right place at the right time, we have been conducting human capital strategic planning and are using the authorities in the Acquisition Workforce Demonstration.

We began the human capital strategic planning effort two years ago, concentrating on developing a process and methodology. We are beginning to see the Services embrace that process and use it. So, this year we are concentrating on two key functional components of our workforce – systems engineers and logisticians. We are working with the functional leads for those two career fields to describe a desired future end state. We are also working with the workforce managers in each Service and the key Defense Agencies to look at current manpower, projected into the future, and how to move from where we are today to where we need to be. We are also identifying the actions we need to close those gaps. Human capital strategic planning is hard work, and we won't be where we want to be for another few years, but we've begun that process and it will pay dividends for us.

The Acquisition Workforce Demonstration also helps us get the right people at the right place at the right time, through its flexible personnel practices, but it also adds the element of right pay by linking pay to contribution to mission. In the FY2003 National Defense Authorization Act, you provided us an extension of the Acquisition Workforce Demonstration project until 2012. We appreciate that support.

I would emphasize one more element of the President's direction. We need to have a workforce with the right skills. The Defense Acquisition University (DAU) has been in the forefront of providing certification training to our AT&L workforce. But, we have also recognized the need to move beyond certification training. DAU has embraced a new performance learning model for training, upgrading their certification courses to include critical thinking and case studies, adding web-based continuous learning, providing on site support to our workforce from regional campuses, and offering web-based practitioner sharing of best practices and lessons learned. DAU has done so well implementing their performance learning model that they have been accredited by the Council on Occupational Education and recognized by their peers by winning a Corporate University Best in Class (CUBIC) award for the Best Over All Corporate University in 2002. DAU is now turning their attention to developing rapid training for emerging policies as a result of requests from the front-line. You have been supporters of DAU, and we thank you for that.

I would now like to discuss in some detail the additional issues you identified as being of particular interest to you at this time.

Future Combat Systems (FCS):

FCS is the Army's centerpiece of the objective force designed to succeed in any type of combat operation. We invested \$22.2 Billion, combined RDT&E and Procurement in the FYDP, and First Unit Equipped is planned for FY 2008. FCS is a family of systems for the future Objective Force, to begin fielding in 2008. It is designed to satisfy the

Army's mandate to have a rapid, decisive capability to respond across the full spectrum of operations. FCS brings an integrated network capability to the battlefield.

Stryker Brigade Combat Team (SBCT):

The Stryker is the Army's highest priority production combat vehicle program, which is currently being fielded as an interim system, while the FCS is being developed. We invested \$4.0 Billion, combined RDT&E and Procurement in the FYDP (for 1055 vehicles). Stryker is significantly lighter and more transportable than existing tanks and armored vehicles, the Stryker fulfills an immediate requirement to equip a strategically deployable (C-17/C-5) and operationally deployable (C-130) brigade. In FY 2004, 301 Strykers will be procured to equip the 4th SBCT.

Comanche:

Comanche will provide interface among the Joint Surveillance and Target Attack Radar system (JSTARS), Unmanned Aerial Vehicles (UAV) and other battlefield sensor systems; and Command and Control systems. We invested \$9.8 billion, combined RDT&E and Procurement in the FYDP, with First Unit Equipped planned for FY 2009. The program is fully funded for the development, testing and production of 650 aircraft (73 in the FYDP). The Army will incorporate Unmanned Aerial Vehicles into the Comanche mission.

Shipbuilding:

In this budget, the Department increases the number of new construction ships from five in FY 2003 to seven in FY 2004. No year in the FYDP procures less than seven ships. In FY 2004, the budget provides funding for procurement of one Virginia class submarine, three DDG-51 destroyers, one LPD 17, and two T-AKE auxiliary and cargo ammunition ships; advanced procurement for the CVN-21 aircraft carrier. The total FY 2004 shipbuilding budget is \$12.2 billion, an increase of \$2.7 billion from FY 2003. We invested \$22.4 billion, combined RDT&E and Procurement in the FYDP for the VA Class Submarine program (9 boats procured during the FYDP); \$14.3 billion, combined RDT&E and Procurement in the FYDP for the CVN-21 program (beginning with a new carrier in FY 2007 and a follow-on carrier to be purchased in FY 2011); and \$16.1 billion, combined RDT&E and Procurement in the FYDP for the DD(X) (with the first hull funded in RDT&E in FY 2005 and seven additional hulls fully funded in the FYDP procurement accounts).

F/A-22:

Air Force continues to improve the F/A-22's avionics stability, flight test sorties, and production aircraft deliveries. They have \$29.4 billion, combined RDT&E and Procurement in the FYDP. The procurement strategy is to "buy-to-budget", which allows the Air Force to buy more aircraft if they can reduce the unit cost. For the current cost estimates, the Department expects to build 276 aircraft, with 168 during the FYDP, but the final determination will be made in the years to come.

I've talked about some of the things we could do on our own to transform this department -- to eliminate waste and duplication and to demonstrate greater respect for the taxpayer's dollars. In the past several years, we have made significant progress. We've reduced management headquarters staffs in the department by about 11 percent. We have streamlined the acquisition process by getting rid of hundreds of pages of prescriptive rules and regulations, and allowing program managers -- we hope -- to be more innovative, flexible and creative. We have eliminated onerous regulations that make it impossible or unattractive to do business with the Department of Defense, and to expand authority for competitive sourcing so we can get military and other personnel out of commercial tasks and back into the field. There is really no reason, for example, that the Department of Defense should be in the business, as we are, of making eyeglasses. The private sector, I suspect, makes them better and faster and possibly even cheaper. These types of things need to change.

However, in some cases we need your help to make needed changes. This year we are proposing a series of changes to the acquisition statutes, some bolder than others. These proposals address several kinds of problems. Some address burdensome requirements, such as relief on contracting out expansion and contracting of support services for security and firefighting beyond that allowed in prior years. We're also proposing several flexibility changes, starting with seeking management relief from moving funds within a program to provide management margin where it is needed. We recognize the significance of some of the changes requested, but again seek a dialog to make the business of defense more efficient. We are in the final stages of Administration clearance of some other proposals which we will share with you soon.

As the Secretary of Defense has said in his Town Hall meeting on March 6, *"To truly bring DoD into the 21st century we need legislative help. We are now working with Congress to fashion proposals that will help transform the department: how we move money, how we manage people, how we buy weapons. Final decisions on this package of legislative authorities have not been made. We are currently in discussions with the Office of Management and Budget about them and we are still in a consultation process trying to make sure that we get it right"*

Thank you, Mr. Chairman for the opportunity to testify before the Committee. I would be happy to answer any questions you and the Members of the Committee may have.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

APRIL 1, 2003

QUESTIONS SUBMITTED BY MR. EVERETT

Mr. EVERETT. When does the Administration intend to submit to Congress the Strategic Force Structure Plan required by Section 1031 of the National Defense Authorization Act for Fiscal Year 2003? Given that the Nuclear Posture Review was completed in January of 2002, and that the "Moscow Treaty" was signed almost a year ago, why has more time been required beyond the statutory March 1, 2003 deadline?

Secretary ALDRIDGE. The report to Congress on the "Strategic Force Structure Plan for Nuclear Weapons and Delivery Systems" will be submitted to Congress late in 2003. The Department has been working diligently on its plans to implement the findings of the Nuclear Posture Review (NPR). An internal DOD plan regarding NPR implementation of the was completed in March 2003. The results of this planning will be used to develop the required report.

Mr. EVERETT. As we move toward a deployed strategic stockpile of 1700-2200 weapons in 2012, and an interim goal of a 3800 warhead force in 2007, what steps are you taking to ensure that Department of Energy stockpile life extension efforts are appropriately sized and matched to associated activities of the Department of Defense, and to overall military requirements?

Secretary ALDRIDGE. The December 2001 Nuclear Posture Review (NPR) calls for reducing Operationally Deployed Strategic Nuclear Warheads to 1700-2200 by the year 2012. Department of Defense (DOD) and the National Nuclear Security Administration (NNSA) are examining the size and composition of the future stockpile and the life extension programs necessary to meet the deployment and potential response objectives outlined in the NPR. In the interim, the Nuclear Weapons Council (NWC) has taken steps to eliminate unnecessary stockpile refurbishments reflected in long-range planning documents for the next decade and beyond, which existed during and immediately following the NPR. In that regard, the NWC has recommended and the Secretaries of Defense and Energy have already approved the downsizing of warhead refurbishments consistent with the forces we plan to support in 2012 and beyond. Other refinements will follow in future plans.

QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. Does the Department believe that beryllium is a critical strategic material?

Secretary ALDRIDGE. The Department of Defense (DOD) does consider beryllium metal to be a critical strategic material.

Mr. BISHOP. Does the Department agree that the loss of a domestic processing capability for beryllium represents a serious problem that needs correction?

Secretary ALDRIDGE. The DOD believes that the loss of a domestic processing capability for primary beryllium metal represents a serious problem that needs correction.

Mr. BISHOP. If the answer to the previous question is affirmative, please describe what the Department's plan is with regard to addressing the issue?

Secretary ALDRIDGE. My office, with the support of other relevant components in the Department will conduct a study to (1) verify the likely range of dates when domestic supplies of primary beryllium metal will be depleted (based on various assumptions about supplies of feedstock and demand), and (2) evaluate alternative solutions to the primary beryllium processing capacity problem, taking into account the likely date when current supplies of that material will be depleted. The study will be completed and a report provided to the Congress in 2004.

QUESTIONS SUBMITTED BY MR. WILSON

Mr. WILSON. And even specifically, the 218th Mechanized Infantry Brigade of South Carolina is in homeland security. And I know my fellow Guard members are really enthusiastic and excited about serving. And then, right in line with what you had referenced with Congressman Israel, I understand that DOD is terminating in-

vestment in older systems. And you mentioned the Abrams and the Bradley. How are we maintaining, as these are terminated, the current readiness? And the additionally, will the termination of these programs—how will this affect the Guard and Reserve?

Secretary ALDRIDGE. As available, the active component will transfer M1A1 Abrams Tanks, M2/M3 Bradley Fighting Vehicles (the A2 variant for the Heavy National Guard Divisions and the Operation Desert Storm variant to the Enhanced Separate Brigades), and M113A2 Armored Personnel Carriers to increase the Reserve Component's lethality, survivability, and overall combat capability. coupled with these upgrades is the planned fielding of the Stryker Brigade Combat Team #6 to the Pennsylvania Army National Guard. The fielding plan for Future Combat Systems has not yet been established.

QUESTIONS SUBMITTED BY MR. RYAN

Mr. RYAN. My concern is that we are grating these waivers to the Boeings of the world and allowing them to procure their titanium or whatever specialty metal it may be, without even asking the titanium companies if they have the ability, if they are qualified to supply this kind of material. And so I do not think it is fair for us to say we are doing everything we can, but at the same time, not even putting these companies on notice, which I think is completely unfair. If you could maybe talk about that?

Secretary ALDRIDGE. In December 2002, Pratt & Whitney informed the Air Force that it was unable to comply with the requirements of the Berry Amendment clause in its contract for F117 engines (the military derivative of the engines used on the Boeing 757) and a potentially significant increase in price. This delay would have resulted in delivery of the engines well after the required delivery date of March 2004. This would have had a profound and unacceptable schedule impact on the Air Force's ability to meet its C-17 mission, including missions associated with the Global War on Terror. The Air Force determined that "there is no source in the world that can deliver Berry amendment compliant engines to the Air Force to meet the schedule that the Air Force requires." Thus, the Secretary found that a satisfactory quality and sufficient quantity of engines could not be produced with domestic specialty metals as and when needed at United States market prices. Based on these findings, on December 20, 2002, the Secretary for the Air force approved a waiver to the Berry Amendment to permit delivery of F-117 engines for use in the C-17 aircraft.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—THE DEFENSE TRANSFORMATION FOR THE 21ST CENTURY ACT

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, May 1, 2003.

The committee met, pursuant to call, at 9:09 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Good morning.

The committee will come to order.

Today the committee begins a two-day review of the Defense Transformation for the 21st Century Act. This package of reforms is being presented by the Administration as necessary to fundamentally change how the Department of Defense adapts to new security challenges and fulfills its critical missions.

It is my intention to consider as much of this important package as possible for incorporation in the fiscal year 2004 defense authorization act, which we will begin to mark up next week.

This proposal involves significant changes to military personnel, civilian personnel, training and acquisition policies. And this morning we will focus on the civilian personnel and acquisition policy provisions, and tomorrow we will cover the military personnel reforms.

The environmental reform provisions of the proposal have already been the subject of hearings and previous scrutiny. The Department has made what I believe is a compelling case that the current inflexible framework for compliance with federal environmental laws results in an increasingly adverse impact on military readiness. The Readiness Subcommittee held an extensive hearing in March, during which these issues were highlighted, so we will not examine that portion of the transformation proposal today.

We are going to hear from several panels this morning. The first is comprised of two senior Department of Defense (DOD) officials: the Honorable David S.C. Chu, Under Secretary of Defense for Personnel and Readiness; and the Honorable E.C. "Pete" Aldridge, Under Secretary of Defense for Acquisition, Technology and Logistics.

The second panel consists of the Honorable David M. Walker, Comptroller General of the United States; and Mr. Bobby L. Harnage, National President, American Federation of Government

Employees (AFGE), American Federation of Labor-Congress of Industrial Organizations (AFL-CIO).

With us this morning, because this is an important issue and they have taken from their valuable time to be with us for the first 30 minutes, are Deputy Secretary of Defense Paul Wolfowitz and Chairman of the Joint Chiefs General Richard Myers. And they will be with us for about 30 minutes or so, and because this is a far-reaching proposal, it is absolutely appropriate that we have them participate in this initial hearing.

One of the most important and possibly controversial elements of this package is the creation of a new National Security Personnel System. This proposal is being advanced in order to allow the Department to develop a mission-based, total force system of management for defense civilians that will support national security, while retaining civil service values and protections related to federal worker pay, evaluation, retention and grievance procedures.

This more flexible approach has been endorsed by the National Commission on the Public Service, also known as the Volcker Commission, who concluded that key parts of the government are operating with outmoded rules, pay inequities and poor systems for recruiting top-notch talent.

The Department is proposing to use the requested authority to develop new personnel regulations that will allow switching to a pay-banding system, implementing a separate pay structure for managers, modifying job classifications, new hiring authorities, changed pay administration, pay-for-performance evaluation systems and reduction-in-force procedures. Most of these personnel reforms in the proposal mirror those included in the legislation that created the Department of Homeland Security (DHS).

Also in this proposal are a series of miscellaneous provisions intended to grant the Department more latitude in managing its acquisition system. The Department's stated objectives are to increase flexibility, streamline rules, cut cycle time and adopt commercial practices.

The committee will carefully evaluate each of these proposals with an eye toward providing the Department with an appropriate measure of necessary flexibility but without also jeopardizing the ability of this committee and Congress to obtain information that will enable us to continue our constitutional oversight role.

These are all critically important goals that deserve the careful consideration of our members, the committee and Congress. Accordingly, I look forward to today's discussion and in working through these issues so that we can arrive at a balanced package of management tools to help the department better execute its paramount mission: to keep our nation secure in a very uncertain and turbulent world.

At this time, I would like to recognize my colleague, the ranking member of the committee, the gentleman from Missouri, Mr. Skelton, for any comments he might wish to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 1339.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you very much.

I begin my remarks by using the phrase "shock and awe" on the issue that is before us, because it was sent over to us and I spent a fair amount of time during the recess in reviewing not once, but two to two-and-a-half times the white book that I have that was sent over by Mr. William Haynes, the General Counsel for the Department of Defense. And I went from shock and awe to disbelief, and then I would say with sadness today that a good part of what is in front of us is cause for an abrogation of our congressional duty as spelled out in the Constitution. But we will get to that later.

Well, let me welcome our witnesses. You will have some interesting and searching questions put to you today.

And I have to mention, to begin with, my serious concern with the situation that has brought us to this hearing today, which was hastily scheduled. But the chairman did schedule it for us and I thank him for that.

Congress received this 200-page bill two weeks ago, on the day we left town before the recess. There is some 50 provisions included in the bill and its scope is absolutely enormous, from civilian to military personnel management, to the organization of the Department, to mechanisms by which Congress oversees major weapons programs, to extensive waivers from a host of environment laws.

It is no understatement to say this bill seeks to make the most sweeping changes to the Department of Defense since the Goldwater-Nichols legislation, which I had a small part to play in. But unlike, Mr. Chairman, the Goldwater-Nichols bill, this committee will not hold a series of hearings over many weeks, many months in bipartisan drafting. The Goldwater-Nichols bill was developed over a period of five legislative years. And this committee will have less than three weeks to consider these sweeping changes.

None of us wants to see reforms wait years to be adopted like in the Goldwater-Nichols, but neither is three weeks and a few hearings enough time and consideration to make smart decisions about the best course of the Department of Defense and the country.

The implications of many of these proposals are profound. And I think I speak for everyone on this side of the aisle by saying simply that it cannot be in the national interest to rush to judgment, given the major changes recommended.

I have serious reservations about the substance of many of the proposals. And I know, Mr. Chairman, some of my Republican colleagues share my substantive concerns.

I worry about the removal of protections on the hundreds of thousands of civilian employees—670,000, to be exact—who we critically need to protect our national interest.

Is this a return to the days of yore where politics ruled? I worry about the possible politicization of the senior levels of our military leadership. I worry about the damage done to longstanding environment laws and the Congress' oversight on how our Defense procurement dollars are spent.

I worry about the Defense Department's taking over the foreign military assistance function that should be performed by the Department of State.

Most importantly, I worry about the abrogation of the congressional oversight and the ceding of authority to another coordinate branch of government in a way that diminishes the checks and balances contemplated by the separation of powers provided by the Constitution.

Remember, what we do here this year will be in the books for succeeding administrations. It will be on the books for succeeding secretaries of defense. Would this committee give these powers to a Bill Clinton Administration or to a Les Aspin as the Secretary of Defense, I ask?

As you know, I have long been an advocate of our military strength and I am so proud of the men and women that serve in the uniform today. Immensely proud. I have supported many of the Administration's proposals, as the Administration knows, for enhancing our national security. And I have worked side-by-side with my friend and my chairman, Duncan Hunter.

However, I cannot support this approach that the Department sends over to us so quickly and say, "Pass" and rush to judgment.

As much as I appreciate Mr. Hunter's gesture in permitting this hearing, the committee should have a series of hearings over a period of time. And I am not talking about years, like Goldwater-Nichols, but over a period of time, because after every hearing additional questions come up. I have seen it. Questions that culminate in serious and carefully considered legislation; legislation that this committee can be proud of.

And I might say that this committee has a wonderful history and tradition—so much due to our chairman, I might say—of bipartisanship. And as I see the proposal before us, it is an attempt to cause that longstanding bipartisanship tradition to be shunned aside. And that personally concerns me, and I hope we can reclaim it and go down the road of seeking what is best for our young people and those that support them in the civilian sector.

And I want to reclaim the wonderful tradition of thoughtfulness, consideration that this committee has stood for and does stand for.

So, Mr. Chairman, I thank you for this opportunity to express my deep concerns.

Thank you.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 1344.]

The CHAIRMAN. I thank my colleague.

And I would just respond briefly, before recognizing our guests today, and that is that we have just concluded a military operation in what was potentially a very dangerous theater. And in terms of having big things at stake, we had the lives of over 250,000 people at stake. And we charged that responsibility to the Secretary of Defense and to the team that he had accrued. And they carried out that responsibility.

We have a responsibility of putting together a \$400 billion budget in, really, what is a fairly short period of time each year. Many of these areas that we have relatively brief hearings on could easily

justify examination on single issues that would take days and days of hearings.

But nonetheless, the hearing process is designed to get people information. And I would just say this to my colleague: I believe in getting information. And if other questions arise as a result of this hearing today, I would be happy to do everything I can to get you and any other members, Republican or Democrat, as much information about this proposal as possible so that when members vote on this proposal, just like we vote on lots of major issues both here and on the floor, we make an informed vote.

And I don't want to see the time when anybody is uncertain or confused about how they should vote. And so I will dedicate myself to making sure everyone has all of the facts that they need so that they make an informed vote when they vote on this package.

And I would simply remind my colleague that a couple of years ago, you know, with respect to the environmental piece of this package, which I think is one of the most dramatic, we had a subcommittee go to the Marine training base at Camp Pendleton, California, where those wonderful Marines practice what essentially is Iwo Jima; that is, assaulting a beachhead and taking it with combined arms to preserve American freedom.

And because of the encroachment of environmental regulations, when the Marines get to the beach, they have to stop and they have to walk around the beach and get on a bus and traverse the beach by bus. And then they go to a place where foxholes are designated by pieces of tape, not by tactical experts, but by the environmental community. And where a piece of tape resides, there you can put a foxhole. Not because you have a field of fire, but because the field of bureaucracy has designated that for you.

And I would just say to my colleague, that was a couple of years ago. That situation exists today.

So with respect to the idea that we are moving too quickly on these measures, I would say that some of these measures are going to meet strong opposition whether we vote for them this year or vote for them in five years. And I don't think the opposition or support of these measures is going to be a function of time. It is going to be, to some degree, a function of political position.

And last, I would just say this: The civil service system is based on what I would call the Theodore Roosevelt principles of merit and hard work. And they should be. And my estimate of this Secretary of Defense is that he holds those principles very dearly in putting together this package, which will be a sweeping reform. But I think we all acknowledge that reforms are needed.

So in this business, often we give the ball to leaders in the Administration and we let them run with that ball and we hold them accountable for what they produce, whether it is a military operation or the reform of a system. And we will have a chance to revisit the product of this administration.

And in looking at many of the factors and many of the proposals here, many of them mirror what we have done with homeland security, where we found a problem that was so pressing and so important to the American people that we needed to move quickly.

I think we have a similar problem with respect to the need for reform in the area we are going to address today.

So, acknowledging my good friend's concerns, and I think concerns that we all have that we retain our constitutional right and power to oversight in this area, nonetheless I think it is important that we have these proposals laid on the table and have a chance to give this Secretary an opportunity to advance the ball and to work reforms and to be held accountable subsequently.

And so having said that, Secretary Wolfowitz, I know you can be with us for about 30 minutes or so. I think it is important that you are here with us today. You have three minutes left. [Laughter.]

General Myers, thank you for being with us.

And, gentlemen, go right ahead.

STATEMENT OF HON. PAUL D. WOLFOWITZ, DEPUTY SECRETARY OF DEFENSE

Secretary WOLFOWITZ. Chairman Hunter, thank you for calling this critical hearing on the Defense Transformation Act.

I would like to thank you and Congressman Skelton for your remarkable support over many years for our men and women in uniform. They have no greater friends than the two of you. And this committee has been magnificent in its support for our magnificent military.

The bill you are considering today is the product of many months, in fact years, of work inside and outside the Department of Defense. Much of the content of the civilian personnel package is the result of pilot projects that Congress authorized the Department to undertake decades ago.

More than 30,000 DOD employees have participated in the pilot projects that this committee helped to pioneer. Without the Congress' leadership, and this committee's leadership, this bill would not be something we could be considering today.

Over the past year, this bill has gone through an extensive inter-agency process and comes to you with the full support of the Administration. And the Congress has played a vital role in the development of this initiative.

Although, as has been pointed out, in its final form, the bill did not reach the Congress until April 10th. In the months leading up to its formal delivery, we had over 100 meetings—that is 100 meetings with members and staff—on the various provisions. That helped to shape, in substantial measure, those things that we thought should be presented to the Congress and those things that should not be. The input that we have received from the Congress has been invaluable in the development of the bill that is before you.

Mr. Chairman and members of the committee, the Department of Defense must transform for the 21st century, not just the way we deter and defend, but also the way we conduct our daily business. And we need to get this done right now.

The world changed drastically on September 11th, 2001, but the laws and regulations governing the Department of Defense have not kept pace. The American people need a transformed department, poised and prepared to defend our national security in a new era, possibly the most dangerous era this country has ever confronted. A critical part of that solution is the Defense Transformation Act for the 21st Century.

Secretary Rumsfeld is exactly right when he states that DOD is not yet organized to deal successfully with the new security environment. We remain organized to fight big armies, big navies and big air forces, not shadowy terrorists and their networks. The armed forces need freedom to move resources, shift people and acquire new weapons more rapidly.

In an age where terrorists move information at the speed of an e-mail and money at the speed of a wire transfer and people with the speed of a commercial jet liner, the Defense Department is still bogged down, to a great extent, in the micro-management and bureaucratic processes of an earlier era. We have a management structure designed to meet the demands of the industrial age, when the world has surged ahead into the information age.

Today, we have some 320,000 uniformed personnel doing essentially non-military jobs and yet we are calling up Reserves to help deal with the Global War on Terror. Despite 128 acquisition reform studies, we have a system in the Defense Department that, since 1975, has doubled the time it takes to produce a new weapons system in an era when technologies in the private sector are arriving in years and months, not in decades.

Accordingly, we have proposed for your consideration a National Security Personnel System that would give us greater flexibility in how to handle and manage civilian personnel so that we can attract, retain and improve the performance of our outstanding civilian work force—700,000 of them—a work force that is critical to the success of our remarkable armed forces.

We have proposed a process for moving a number of non-military functions that have been pressed on DOD over the years to other, more appropriate, departments.

We have proposed more flexible rules for the flow of money through the Department to give us the ability to respond to urgent needs as they emerge.

We have proposed elimination of onerous regulations that make it difficult or virtually impossible for many small businesses to do business with the Department of Defense.

We have proposed expanded authority for competitive outsourcing so that we can get military personnel out of non-military tasks and back into the field.

And we have proposed measures that would protect our military training ranges so that our men and women will be able to continue to train as they fight while honoring our steadfast commitment to protecting the environment.

Of course, Mr. Chairman, there will always be resistance to change. That is not surprising; change is not easy. But it is important to keep in mind what the sum total of all these industrial-age bureaucratic processes does to our ability to develop an information-age military.

The cumulative effect of the old processes that we are seeking to change impacts on our ability to defend our nation and to provide the brave men and women that perform that task with the absolutely best support that they deserve.

First, the inability to put civilians in those several hundred thousand jobs that do not need to be performed by men and women in

uniform puts an unnecessary strain on our most precious resource: our uniformed personnel.

Second, the overall inefficiency of our management system means that the taxpayers are not getting the value that they could from their defense dollars. And perhaps more important, the men and women whose lives depend on the support that those dollars deliver are also being shortchanged.

Third, the encroachment on our ability to train adequately, in an era when training increasingly represents the most important qualitative edge that our military enjoys, threatens a collision that could endanger the lives of our service men and women. Fortunately, that collision has not yet happened, but it behooves us to take appropriate measures now to ensure that it does not.

Fourth, our limited flexibility to manage our civilian work force will make it increasingly difficult to compete with the private sector for the kinds of specialized skills that an information-age military needs for its support, but that will be in increasingly high demand throughout our economy.

And finally, and perhaps most important, our slowness in moving new ideas through that cumbersome process to the battlefield means that the equipment and processes that our remarkable men and women are making use of are still a generation or two behind where they ought to be. As we have seen in both Afghanistan and Iraq, we need every bit of qualitative superiority that we can achieve in order to save lives and to more rapidly and precisely defeat the people who threaten the security of the United States.

Our objective is not merely to achieve victories, but to have the kind of decisive superiority that can help us to prevent wars in the first place or, if they must be fought, that can enable us to win as quickly as possible with as little loss of life as possible.

Mr. Chairman, the Department is already engaged in substantial transformation. We have reduced management and headquarters staffs by 11 percent. We have streamlined the acquisition process by eliminating hundreds of pages of unnecessary rules and self-imposed red tape. And we have implemented a new financial management structure.

But these internal changes are not enough. DOD needs legislative relief to achieve authentic transformation. And we need the Congress' help to transform how we manage people, how we buy weapons and how we manage our training range. We need Congress to enact the Defense Transformation Bill.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary.
General.

STATEMENT OF GEN. RICHARD B. MYERS, USAF, CHAIRMAN, JOINT CHIEFS OF STAFF

General MYERS. Chairman Hunter, Congressman Skelton and other distinguished members of the committee, I would just like to add my voice to that of Secretary Wolfowitz in asking for your support of the Defense Transformation Act of the 21st Century.

Over the last several months, the Joint Staff and the services have worked together with the Office of the Secretary to put together a comprehensive package of legislative initiatives that are

really needed to improve the way the entire Department does business. The transformation of our civilian personnel system, the way we acquire weapons systems, how our military personnel and installations are managed are all very critical to the future of joint warfighting and, of course, to our national security.

The service chiefs and I have met on these issues many times. And we strongly recommend that this committee incorporate the proposed legislation into the 2004 defense authorization bill.

Let me also thank the committee for all the support that we have had over the past years. That support manifested itself, of course, in what we just saw in Iraq and what we saw previously in Afghanistan. And we appreciate it very much; particularly the men and women who are out there on the pointy end dodging bullets and doing such a magnificent job. They know they have your support and they appreciate it. And we thank you for that.

And we stand ready for your questions.

The CHAIRMAN. Gentlemen, thank you.

And Secretary Aldridge and Mr. Chu, would you like to make statements at this time? Or would you like to have a couple of questions first for the Secretary before he goes?

Always more questions for the Secretary, right?

Secretary WOLFOWITZ. I think they should make some statements. [Laughter.]

The CHAIRMAN. We will have a couple of questions of the Secretary and General Myers before they take off here.

Incidentally, I was told you have to leave about 30 after. Have you got a couple minutes?

Secretary WOLFOWITZ. We will stretch it to a quarter of if you can, General.

The CHAIRMAN. Okay. Why don't we just take a couple questions?

One of the major goals here is to discharge red tape. And it has been raised. And I think one thing that always causes us some unrest is the unknown. And there is a good deal of license and authority that is being given to the Secretary and to his team with this legislation.

And people are concerned, of course, with a civil service system whose foundation is integrity, merit, hard work. The question has been raised, in divesting ourselves or jettisoning a lot of red tape, does that mean that we are jettisoning part of the integrity of the system and this wonderful ethic of merit that is the American way, that has grown to be the foundation of our society?

And so I think that is a legitimate question for you folks to answer. Will we maintain the integrity of the system with all of the safeguards that will protect people, give them their due process, especially when we look at the grievance procedure, and also reward hard work where it merits reward?

How will the new system stack up in those areas in comparison to the old system?

Secretary WOLFOWITZ. I think we have some of the answers to that, Mr. Chairman, in the experiments that have already been conducted, thanks to the discretion the Congress has given us in the past. And I think that record shows that at key installations like China Lake, where we have, perhaps, one of the best civilian work forces any country could ever have, private sector or govern-

ment. It has produced some of the most remarkable technological breakthroughs. I think that flexibility in management has improved the capability of that civilian work force; has allowed us to keep the very best people around.

And I would underscore that the purpose of giving us more flexibility to manage is to actually expand the size of that civilian work force to do more through people who are regular government employees under those civil service protections and to try to reduce the amount to which we either have uniformed people doing things they shouldn't be doing or do workarounds with contractors and other much less satisfactory solutions.

We are looking for a little bit of flexibility and we are looking for the kinds of ability to reward performance that, in my experience, the civil service craves; that the best people in the civil service would like to see all of them performing at the highest standard. And when you can't have that kind of flexibility and rewards, I think it affects the morale of everybody.

Mr. SKELTON. Mr. Chairman, thank you very much.

And Mr. Secretary, General, we appreciate your being here. And we understand you do have to leave shortly, but we do have a few questions.

The scope of these proposals, I think, requires sober and considered deliberation. You testified a few moments ago that within your building these issues, in particular the civilian work force section, have been under discussion and consideration for a long time.

So my question is, why can't we, in our legislative capacity, take our time and go through this? What is the rush to judgment? Did the civilian work force in the United States of America cause the young men and young women to do poorly on the battlefield? Of course not. So what is the rush to judgment? Why now? Why can't we really do this, not as long as Goldwater-Nichols, but at least over a period of time when we can ask probing questions of all the issues?

Mr. Secretary.

Secretary WOLFOWITZ. I would simply point out that I think this is not a rush to judgment. We have spent a lot of time also with the Congress. A lot of what is in this proposal has been shaped by extensive discussions, as I said, with congressional staff and Members of Congress.

And I think the whole world has noticed the stunning performance of our military. Nobody is saying that they don't perform well. What we are saying is they could have even better support than we have been able to give them and that they may have even more formidable enemies in the future than the ones we have faced in the last couple of years.

And we see throughout where efficiencies could be achieved that would improve the performance of both our civilian and military personnel. The fact that they have been studied for so long, in our view, is a reason to get on with it, not to continue studying longer.

Mr. SKELTON. I appreciate your answer, but that doesn't give us the time to consider. You know, I am from Missouri, Mr. Secretary; you have to show me. [Laughter.]

And I don't have an awful lot of time to be shown between now and the time we mark up, though you have taken a great deal of time within your building.

Briefings are good. And I am sure some folks here did receive briefings. But I am reminded of what my old law school professor would say, as loudly as he could: "What does it say? What does it read?" And briefings are not reading the words, which I have done. And the policy discussions and briefings are fine, but what does it say?

And that is my question, because what we do, the words we pass, long after everyone in this room passes from the scene, those words we write become law of the United States of America. And those that follow us, in your positions and all the positions, will be living by those words. And it is a permanent monument, you might say.

So I have one question for the General.

General, are you familiar with the general flag officer proposals?

General MYERS. Yes, sir. Yes, sir.

Mr. SKELTON. Do you subscribe to them?

General MYERS. Yes, sir.

Mr. SKELTON. Have you read them?

General MYERS. Yes, sir.

Mr. SKELTON. Is there a good reason that there are different qualifications for the Commandant of the Marine Corps, the Chief of Naval Operations (CNO) of the Navy and the Chiefs of Staff of the Army and the Air Force?

To be a commandant of the Marine Corps, one must merely be a colonel. To be a chief of naval operations, one must have sea service and be a two-star admiral. To be a chief of staff of the Army or the Air Force, one merely has to be a brigadier general. Do you subscribe to that, General? Or did you know that?

General MYERS. Yes, I knew that. And I think the whole idea is to put as much flexibility into the system as we can. And that was the thought behind it.

Anybody nominated for those positions, obviously, has to be confirmed in front of the Senate.

Mr. SKELTON. You are narrowing the field for the CNO and you are widening the field for the commandant of the Marine Corps.

Well, they speak for themselves.

Thank you, General.

The CHAIRMAN. I thank the gentleman.

And gentlemen, you have stayed 15 minutes past your allotted time here. Appreciate your indulgence.

Mr. REYES. Mr. Chairman? Mr. Chairman, there are some of us that have questions for General Myers and for the Secretary. Can we submit them for the record?

The CHAIRMAN. Absolutely.

Secretary WOLFOWITZ. Absolutely.

Mr. ABERCROMBIE. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ABERCROMBIE. Mr. Chairman?

The CHAIRMAN. Yes, Mr. Abercrombie?

Mr. REYES. Can we get an answer timely? Because it has taken quite a time to get—

The CHAIRMAN. Well, sure.

And gentlemen, your statements will be taken into the record, too, without objection.

Mr. ABERCROMBIE. Mr. Chairman.

The CHAIRMAN. Mr. Abercrombie?

Mr. ABERCROMBIE. Mr. Chairman, this points up we have to have hearings on this. I am disinterested in how much time Mr. Wolfowitz has spent on something internally and then gets up and makes a statement, as he just did, that we could perform even better, which presumes that we performed under what he expects or under what the Pentagon expects, and then say that their time is up and that we are going to mark things up.

We have to have hearings on this. We have to consider what is in front of us.

The CHAIRMAN. Well, Mr. Abercrombie, let me just assure you that we are going to have a long hearing on this today. And I am going to hold a hearing tomorrow. And we weren't initially going to schedule Secretary Wolfowitz or General Myers today, but they wanted to come. They had limited time and they asked if it was okay if they came even having limited time, because sometimes that is a problem because everybody likes to ask a question.

And I wanted to have them here at least for their statement and at least for a couple of questions.

Secretary WOLFOWITZ. Mr. Chairman, I will be happy at another occasion to make more time.

The CHAIRMAN. So I will try to make sure that you have an opportunity to engage Mr. Wolfowitz at a later time. But we initially did not schedule them.

Mr. ABERCROMBIE. Mr. Chairman, that is not my point. My point is that, whether it is Mr. Wolfowitz or not, I am not interested in a tete-a-tete with him so much as I am interested in this committee engaging in the kind of hearings in depth that are required when we make policy decisions. Because it may not be noticeable to everybody else in some quarters of government, but the Constitution says that we make the policy decisions. We are the ones that are elected.

The CHAIRMAN. Mr. Abercrombie, let me assure you, as my good colleague, that you and I will have a conversation after this hearing is finished and after the next hearing is finished. And if you think there are deficiencies in the amount of information that has been made available or extracted, I will be happy to do everything I can to make sure that you have enough info to make an informed vote on this.

I think it is an issue that requires a very thorough discussion.

Nonetheless, I think there is a value in having the Secretary and General Myers make their appearance and put their position in the record on this important issue.

So, gentlemen, thank you for being with us.

Mr. SPRATT. Mr. Chairman——

Secretary WOLFOWITZ. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from South Carolina has a question.

Mr. SPRATT. I am grateful to both of you for coming.

I know the enormous amount of work you have put into this. And for the same reason, you should understand why we want to have an equal opportunity to go through it.

Goldwater-Nichols came out of the Congress. I was here when it happened; so was the chairman of this committee. We put a lot of effort into it and I think you saw the fruits of it in this last war: the first time we have really had an integrated force. Goldwater-Nichols is coming to maturity.

I think that proves the interactive relationship between the Pentagon and this committee and the Congress, as a whole, can be fruitful. And that is what we want. We simply do not have enough time to begin to digest the enormity of what you have laid before us between now and next week when we propose to mark up this bill; simply cannot be done in a responsible way without abdicating the responsibility the Constitution gives us, which we have proudly upheld as a committee and discharged in the past in notable pieces of legislation like Goldwater-Nichols.

And I want to say, Mr. Chairman, this is much, much too fast of a railroad that is going through here. We need to sit down. You can bring this bill to the floor any time you want to. You control the Rules Committee. You control the amendments that can be made to it. It doesn't have to be crammed down into the defense authorization bill with so little oversight and input from us.

The CHAIRMAN. Having heard the gentleman's statements, we will now proceed with the hearing so we get as much of this information out as we can in an uncrammed style.

So, gentlemen, thank you.

Secretary WOLFOWITZ. And we leave behind two extraordinary public servants with Under Secretary Aldridge and Under Secretary Chu. In fact, with all due modesty, I think you may learn more from them than you would from me.

And I appreciate your indulgence. I am the Acting Secretary today because the Secretary is traveling. And, as you pointed out, Mr. Chairman, we asked to come at the beginning and I appreciate your willingness to hear General Myers and me on the importance of this.

But you will be able to ask these two gentlemen all the questions you want. And we will work with you to answer any questions that we can possibly answer. I appreciate the time and attention that you are giving to this very important issue.

The CHAIRMAN. Okay. Thank you, Mr. Secretary.

And, Mr. Secretary, to accommodate some of our members, we may have folks that want to have some in-depth discussions over the next several days.

Secretary WOLFOWITZ. This is important.

The CHAIRMAN. And we will try to relay that to your office and make that happen.

General, do you have any final things you would like to say?

General MYERS. No, Mr. Chairman. Thank you very much for the opportunity.

The CHAIRMAN. Thank you for being here.

Thank you, gentlemen.

And now, Mr. Secretary Aldridge, or Mr. Chu, you gentlemen have the opportunity to take as much time as you want and let us discuss this very important initiative.

STATEMENT OF HON. E.C. "PETE" ALDRIDGE JR., UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS

Secretary ALDRIDGE. Thank you, Mr. Chairman and Congressman Skelton and members of the committee.

I really thank you for giving me this opportunity to come before your committee to discuss the role of my office in our efforts to transform our nation's defenses.

I do have a very short verbal statement. And I would be delighted to respond to questions afterwards.

As you know, this topic of acquisition is broad and multifaceted. President Bush and Secretary Rumsfeld seek to transform not just our uniformed military, their weapons and doctrine, but also the ways and standards by which the Department is managed and administered.

Since my confirmation into this position almost two years ago, I have made acquisition excellence my objective. It should surprise no one to learn that absent certain substantive changes and remedies, one can make only so much progress along those lines.

Consequently, as I mentioned in my testimony to this committee on April 1st, my Office of Acquisition, Technology and Logistics is proposing a series of changes to the acquisition statutes, some bolder than others. That is what I want to talk about with you today.

These proposals address several kinds of problems to include burdensome requirements. In fact, there are some 16 proposals in all.

An example would be the relief from current requirement for extensive reporting and contracting of support services for security in firefighting beyond that allowed in prior years.

We are also proposing several flexibility changes.

For example, we seek management relief to allow us to move funds within a program to provide management margin where it is needed.

We recognize the significance of some of the changes we are requesting and have worked to fashion language that would help transform the Department: how we move money, how we manage people, how we buy weapons.

The primary objectives of the acquisition initiatives are to increase the program manager's flexibility, to streamline the rules and cut cycle time, make the way we do acquisition more business-like and adopt commercial practices and, of course, to provide excellence in our acquisition process.

For over four decades, I have observed, working within and from outside, led and been led in and through many dimensions of our national security apparatus. Based on that experience, I am absolutely convinced that these proposed changes are both modest and necessary.

And after David Chu, I would be delighted to answer any questions.

The CHAIRMAN. Thank you, Mr. Secretary.

Dr. Chu

**STATEMENT OF HON. DAVID S.C. CHU, UNDER SECRETARY OF
DEFENSE (PERSONNEL AND READINESS)**

Dr. CHU. Thank you, Mr. Chairman.

I do have a short written statement, which, if you will permit, I would like to submit for the record.

The CHAIRMAN. Without objection, both of your statements will be taken into the record.

Dr. CHU. Thank you, sir.

It is my great privilege to appear before the full committee this morning and have the opportunity in detail to review the concepts that we are advancing in the proposed legislation we have forwarded to the Congress.

I did testify on these before your committee's Total Force Subcommittee on March 13th. I had the privilege of testifying before the Senate Armed Services Subcommittee on Military Personnel on the same issues at about the same time. They have, as Dr. Wolfowitz indicated, been the subject of many meetings with members and staff. Some of those meetings go back to the fall of last year on the civil service front, specifically on our proposal to adopt the so-called best practices standards for the Department as a whole.

It has been my privilege, also, to participate in various conferences and other meetings, including one organized by the Congressional Research Service about one month ago on, again, these same topics.

We are very grateful, as Dr. Wolfowitz and General Myers indicated, for the support this committee has given the Department, both in statute and in terms of the resource provided over the years that, in our judgment at least, propelled the results just demonstrated in Iraq. Those results underscore the value of speed: speed of action in the modern world. They underscore the value of agility: agility in exploiting opportunities, agility in learning quickly from the actual experience in front of us.

And we recognize that it is quality people, properly trained, who produce those results.

Our concern, on the civil work force specifically, is that the current rules, under Title 5, create the opposite set of incentives. They are a set of incentives that slow the process down. They are a set of incentives that make it difficult to change someone's job responsibilities. It takes us, typically, in the Department of Defense, three months to hire somebody.

That is why at Fort Riley recently it took from January to August to replace the civilian radiologist, during which time the old radiologist left and we had to start sending the mammography materials downtown to be read at greater cost to the taxpayer.

It takes two to three months under the current rules, again, to change someone's job description. It has taken us more than two years to get agreement under local bargaining with our unions to garner someone's wages if he or she should abuse the travel card. And we are still not finished with that process.

Thanks to the powers that you have given us for demonstration projects for more than 20 years, we have seen an alternative fu-

ture, a future that mirrors these principles of speed and agility. It is that future we have reviewed in the last year. And looking at the lessons learned from those demonstration projects; demonstration projects, currently nine in number, that cover 30,000 employees in the Department of Defense, including, as Dr. Wolfowitz cited, China Lake, the oldest and most well-known of the set.

Those best practices emphasize an alternative way to hire people, an alternative way to pay people; pay-banding, as you referred to, Mr. Chairman, in your opening remarks. And we sent forward and published on the 2nd of April in the Federal Register the first of our efforts to exploit fully the authority you have already given us to extend these best practices to the laboratory and acquisition work forces of the Department. It is a review that Mr. Aldridge and I participated in personally, starting in March of 2002.

With your permission, Mr. Chairman, I would very much like to submit our April 2nd Federal Register notice, which provides additional detail of the kind that I think Members here properly would like to see, for the record for this hearing.

These results, I think, have been validated in their impact on our work force by studies by the Office of Personnel Management that include extensive surveys of our personnel. They have also been validated in practice, in terms of how our individual employees have reacted to them in terms of their decision to renew these demonstration projects as they expire.

Last summer, for example, at the Army's Research Drilling Engineering Center (RDEC) at Redstone Arsenal, the civilian personnel management demonstration project begun in 1997 came up for its five-year renewal. The president of the American Federation of Government Employees (AFGE) local said, "By far, the majority of the employees have indicated to me, both privately and in called meetings at RDEC that they wanted it renewed." I am talking about 98 percent of them did.

This is the record on which we build, Mr. Chairman. It is not a new record. It is a record that is much studied. We are ready to act.

The legislation we have proposed would allow us to extend this sort of personnel innovation through the entire Department of Defense. It would add lessons learned from those best practices the current statutes do not allow us to take advantage of, including most importantly the right to national bargaining with our unions.

Members of this committee and members elsewhere in the Congress have properly asked, "Why do this now?" There are a variety of reasons. Dr. Wolfowitz already touched on some of them. But let me add another to that list and that is what is going to happen to the American military post-Iraq. We are going to bring this force home; 250,000 personnel in the Gulf now. We have already begun discussions about the alternative stationing of U.S. troops around the world. You have seen in media reports already the fruits of those changes in Saudi Arabia, in Korea and elsewhere. You have heard General Jones in Europe talk about alternative stationing policies in Europe.

This is potentially the largest reconfiguration of the stationing of the United States military since the Berlin Airlift triggered the Cold War almost 50 years ago.

In my judgment, we need to be ready, not five or ten years from now, but within a short period of time, to accept this restationing, which will have significant implications for the shape now, and in the future, of our civil work force. We need these kinds of powers to be sure we have the right civil servants at the right places in the United States to which these troops may be coming.

We need to be ready for the war in the future, not just the war we have conducted. We must not rest on our laurels.

We look forward to working with you and the Members of this committee in shaping that future to the continued success of the American military.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Chu can be found in the Appendix on page 1348.]

The CHAIRMAN. Thank you, Dr. Chu.

Let me start out with one idea that was brought forth in listening to and reviewing this proposal and in listening to conversation about the proposal from the Administration and from folks who are concerned about it, and that is that we have the tension, obviously, between our civil servants and so-called contracting-out contractors. Mr. Wolfowitz talked about the workaround where, in some cases, it is difficult to work through the bureaucracy to use our own work force. And in some cases, the easy out there is the workaround, that is the contracting out.

I have seen some argument to the effect that the reform will make it easier for us to use our own federal work force, instead of having to go to contracting out. And that, to that extent, that is going to accrue to the benefit, not the detriment, of government employees.

Now, do you think that is the case? And, if so, expand on that.

Dr. CHU. Absolutely, Mr. Chairman.

The CHAIRMAN. And Mr. Spratt says I am leading the witness. [Laughter.]

But that is the way I operate. [Laughter.]

Dr. CHU. Absolutely, Mr. Chairman. The Deputy Secretary has spoken to the review we are beginning of the 320,000 positions now in uniform force that we believe could be possibly equally well-performed by civilians. In many cases, it would clearly be preferable to have these positions in the civil service.

I don't think we are going to get to that position under the current rules of the game. And that would be a great loss, in my judgment, for the country.

I think we saw this in the most recent operations in Iraq. In the theater, we had 9,000 civilian personnel supporting our forces. Only 1,500 were civil service: all the rest contractors.

The CHAIRMAN. I am just trying to understand this, and I want to hear from the other side, too, on this. So what you are saying is the idea that if you need a position and you find out that your bureaucracy—you have mentioned these three-month delays in being able to hire a person. If you need a position filled, you need to do something quickly. And instead of being able to have a civil servant do it and wait that three months, it is easier simply to order a sergeant to do it because he is under the direct chain of command in the military. And he marches out smartly and gets it

done. But the preferable thing to do is to keep the sergeant in his military billet and use a civil servant, if possible, if you could qualify him quickly.

Dr. CHU. Yes, sir.

The CHAIRMAN. Now, is that realistic? Or is that just advertising and something that won't come about? You truly believe we will have more opportunities if we have some red tape out of the way?

Dr. CHU. Absolutely, sir.

The CHAIRMAN. Okay.

Secretary ALDRIDGE. Mr. Chairman, just a comment about the acquisition work force in that regard: We are having to compete with highly talented people within industry to get people to come into the government. We need the government to be a smart buyer for the weapons systems we have. We need very highly qualified people. And it is very difficult to hire these people and keep them under the civil service-type of rules. Where there is pay-for-performance, we can actually reward good performance of people and be more attractive for them to come to government and to stay with government and to give us the quality we need.

The CHAIRMAN. Okay.

And, gentlemen, there are dozens and dozens of aspects of this proposal. And, you know, the Members of Congress, both parties here, hold our civil servants to be extremely important to us. And you have a ton of proposals, sub-proposals and pieces to this very comprehensive reform. There are going to be pieces that we don't agree with you on; some that we will agree with you on.

And one aspect, to me, is this tension that we have always had—and maybe it is an appropriate tension—between the public and private sector, because we want to maintain that mobilization core that can move out; that consists of federal employees that is always there, always ready to show up and perform reliably those what I would consider to be core military functions and military support functions. You might speak to that.

Will this ability of the U.S. to maintain a core of federal workers in critical skills remain intact?

Dr. CHU. Absolutely. Absolutely, sir. Indeed, I believe these provisions, if the Congress were to adopt them, would strengthen our ability to build that core for the future.

Secretary ALDRIDGE. Mr. Chairman, just another comment: We have been under an acquisition demonstration, as you know, for the acquisition work force, which has proven that these attributes that are being claimed for the National Security Personnel Act, which have adopted many of the things we have learned over the many years of the acquisition demonstration, this system works. People like it. People who perform love it because they get pay for performance.

You probably will get some criticism of it, but it is mostly from those people who are not performing. They don't like it because they are not given the automatic pay raises every year.

This system pays for performance, not for attendance. And I think this is an attribute of this particular proposal that is extremely important, and it shows that it is working.

The CHAIRMAN. Thank you.

Mr. Skelton.

Mr. SKELTON. I will not pursue questions now. I am still waiting to hear someone tell us, Mr. Chairman, why the Marine colonel is qualified to be a commandant and it takes a two-star admiral to be the CNO, which drives me to the conclusion this hasn't been written very well or been screened very well by the screeners. And yet, you send it over and want us to pass it. I have to tell you that worries me.

I have nothing else.

The CHAIRMAN. You know, Mr. Skelton, I think you are going to get some letters from some Marine colonels on it. [Laughter.]

Mr. Hefley.

Mr. HEFLEY. Thank you, Mr. Chairman.

You know, I think you make an excellent case in briefings we have had. And you have talked to us, David, for some time; you have been talking to us about this in bits and pieces. And I think you make a good case for the need for some changes in the system, to get rid of some of the bureaucracy and to modernize the way we manage personnel.

But I guess I, too, like my friend from Missouri, am concerned about the timing of this thing. It is a little like it was with the environmental package last year. We talked about pieces of it, but the actual package got to us just before markup. And we didn't have time to take it through the process that needed to be taken through to get something done up here.

Big changes don't occur easily up here, as many of you know. And my first reaction is, I wonder if there is no one at the Pentagon that understands how the process up here works and how you have to work through that. Because we are your partners in the defense of this country. I mean, Democrats and Republicans, we are your partners on this thing. I don't think you have a better friend or a more bipartisan friend on the Hill than this committee. But we do need time to work through major changes.

A76, for example, came into being in 1955; relatively minor compared to what you are suggesting here. And yet, we are still struggling with that, as a broken system that we can't figure out how to make it work.

And so it seems to me that we are going to need a little more time. We did a few of your environmental things last year. We are going to be able, hopefully, to do more of them this year. But it takes a process and a timing to work through these kind of changes.

I worked, at one time in my past, in industrial relations for, at that time, the leading innovator in industrial relations, which included personnel; I guess you call that human resources today. And yet, even with the greatest innovator in industry at that time, these kinds of major changes would have taken a lot of time to work through the process and to get this done.

One of the things you had to do was to work through with the affected groups to make sure they had some level of comfort with what you were trying to do. So it didn't look like this came out of the blue and all of the sudden, "Boy, and I am really threatened by what is going on."

And I guess my question to you would be: How much of that have you done?

We are one of the affected groups in Congress, and you are trying to work through that, although, I think, in kind of a compressed time frame. But how much have you worked through with the affected employee groups and so forth to get a level of comfort with them?

Now, I know not everybody is going to agree because change comes very, very difficult. But how much have you worked through with those groups?

Dr. CHU. We have tried to pay a great deal of attention to what our people think about changes like this. We have based these changes, as I indicated, on an extensive review of the individual demonstration projects the Department has carried out on the authority you gave us over several years, though each of those projects involves the detailed interaction with the employees who are affected.

In addition, we have benefited from the wide-scale surveys, which is another way that our employees can talk to us, that the Office of Personnel Management has done, both of the demonstration project personnel—there is a lengthy report that I commend everyone's attention, called Substantive Evaluation 2002, which is on the order of several hundred pages long that contains these results.

In addition, we have benefited from The Office of Personnel Management's (OPM) most recent survey of the entire federal work force, where one of the most significant complaints is exactly what Mr. Aldridge touched on. The employees themselves criticize this system for the fact it doesn't reward performance. This really gripes people. And it gripes young people.

I have had the privilege, in the kind of interaction you are describing, sir, talking with our employees at a major naval base. The installation commander came up to me afterwards and said, "Sir, we need these kinds of authorities. The good young people of my state will not take my jobs because they do not see us as a cutting-edge organization".

And we have begun our dialogue with the unions on an informal basis back in February; Mr. Harnage, for example. We have had several meetings with him. My principal deputy addressed a special congregation of his defense local leaders approximately a month ago, that he was kind enough to organize in St. Louis.

So we have only begun the extensive process of dialogue with our employees to be sure people understand the purpose. We find, just as Mr. Aldridge has found in his own office, where he has adopted the pay-banding approach we are recommending here, that after a transition period in which you do, as you suggest, sir, need to be sure they understand what we are doing, be sure that they are our partners in doing this, that they know what their rights and responsibilities are. We find, as people understand what this can do for them, that they are enthusiastic about the new approach we are recommending here.

Secretary ALDRIDGE. It may be interesting, since I personally participated in scoring people's performance in my office, to explain what we do.

At the beginning of the year, each individual has to write down a set of goals they want to accomplish for that year that meet the

mission of the office. Then at the end of the year, they are rated as how well they performed to those goals. And they are given a score. And in the pay-banding, they have a process by which they check the score against what the pay ought to be. And if their performance is high, they will get a substantial pay raise. If their performance is low, they could get zero. It is not an automatic step increase anymore.

And so, they can actually put their own goals, they are scored against those goals. And the people who are performing love it because they can see what happens when they do perform. And there is great incentive for other people to perform, as well. And there is, of course, great disincentive not to perform.

It works well. The people who are the high performers, who are the ones you really want to keep, love it. And some of the lower performers do not. And that is okay, because that is the way the business is run these days.

And this system is what we are trying to get involved here in this new personnel system; that pay-for-performance is very important and you can reward people for what they do.

Mr. SKELTON. Will the gentleman yield?

Mr. HEFLEY. There is a good case for the problem and I think you have some good suggestions here. And I think you have many suggestions here that will eventually be implemented. But don't be surprised if it takes longer than you would like it to.

Secretary ALDRIDGE. I understand that, sir.

And, of course, that is the value of these pilots. You allow this to go out and demonstrate that this thing works or doesn't. And so happens it does work and we have years of experience behind us now. It is not something that is thrown on the table. You gave us the ability to do this and I believe it is working.

Mr. MCHUGH. Would the gentlemen yield, because Secretary Chu made an important point that causes some question in my mind?

Mr. Secretary, after you appeared before Mrs. Davis' Subcommittee on Government Reform the other day, there was an extensive article in The Washington Post, where it reported that General Accounting Office (GAO) Comptroller David Walker criticized the process for not consulting with unions. And, in fact, according to the news report, he said very specifically it should have consulted the unions from the start. And also in that article, Mr. Harnage, President of AFGE, was quoted directly saying that they were shut out.

And I thought I heard you say that you did consult with them on the development of this bill, so I am just curious who is right.

Dr. CHU. I think what I was asked earlier was is there a dialogue established? The answer is yes. We have been dialoging with our people over this; not just the union leadership, I should emphasize.

In the sense the question was originally asked, the issue was were the unions part of the design team? No, they were not.

I should emphasize that the demonstration projects that are the basis of our conclusions here, in eight of the nine demonstrations currently in force, they include unionized employees. And so in that demonstration process, you do have consultation with unions.

The distinction between who was on the design team and what kind of dialogue have we begun, we began a dialogue, as I have indicated, with some of our union leadership before even we had specific language to table. But we discussed the concepts with them. I don't want to pretend they agreed with all of those concepts.

Mr. SKELTON. Would you contend they agreed with any?

Dr. CHU. I think I would let them speak to that rather than have you take my word for it.

Mr. SKELTON. Thank you. It is an important point and I just wanted to make sure we had a clear understanding of your view versus the newspaper. Thank you.

The CHAIRMAN. Okay.

Mr. Spratt.

Mr. SPRATT. Thank you very much, Mr. Chairman.

I was just reading through this as you testified, so you will excuse me for not hearing everything you just said. But I keep coming across this phrase in the draft "at the Secretary's sole, exclusive and unreviewable discretion." That puts him outside the Administrative Procedure Act, where the standard of review is very high. It has to be capricious and non-substantive, but here the Secretary is isolated and insulated from any kind of challenge: "sole, exclusive and unreviewable discretion." Those are strange words for the government of the United States of America.

And it goes on to say, with respect to one particular aspect, which is an enormous aspect of your function, which is the acquisition corps, "The Secretary, at his sole, exclusive and reviewable discretion, may establish an acquisition corps and to establish criteria for selection of military personnel and civilian employees for that corps."

"Sole, unreviewable, absolute discretion": Does that mean he can hire anybody of any educational qualification, he can engage in nepotism, he can decide that certain people in this country are not fit to serve in the acquisition corps because of their national origin, their creed or their political exposure? "Sole, exclusive and unreviewable discretion."

What if he makes a decision like that? What is the remedy in case the Secretary abuses that enormous authority?

Dr. CHU. Sir, I am not a lawyer, so I defer to my legal colleagues on this point.

Mr. SPRATT. I am. And I am telling you this is a hell of a grant of authority.

The CHAIRMAN. I think you just had a legal opinion there, Mr. Chu. [Laughter.]

Dr. CHU. The question is, is it done yet?

I believe the section which you are reading speaks to administrative procedures, as you suggested, sir, and that is intended to align them with how regulations inside the Department are currently handled.

Let me, if I may, in terms of the issues that you raised—because I know this is an issue everyone wants to pay careful attention to, and properly solve—take you to what is page five in the original transmission, which is Proposed Section 9902, Subsection B, System Requirements.

"Any system established under Subsection A shall—" and then it lists several things. And most important in terms of the issues you are raising is number three: "Not—" let me underscore "—not waive, modify or otherwise affect, A, the public employment principles of merit and fitness set forth in Section 2301 of the Civil Service Title 5, including the principles of hiring based on merit, fair treatment without regard to political affiliation or other non-merit considerations, equal pay for equal work, and protection of employees against reprisal for whistle-blowing; B, any provision of Section 2302 relating to prohibited personnel practices." And it goes on from there.

So, I think there are excellent safeguards.

Mr. SPRATT. Let me just stop you there, because that is fine; it is in there. But you are saying if the Secretary exceeds the authority, the limits that are laid down in this 9902 AB, then it is not reviewable; his discretion is sole and exclusive. Why not say that these things do, indeed, affect the flexibility of the Secretary?

Dr. CHU. Sir, as not a lawyer, I merely must refer your question to the general counsel's view. There is, I believe, a similar language in the homeland security statute.

Mr. SPRATT. Mr. Chairman, this is why we need to have lots more time to review this matter. I mean, you know, I have enormous respect for Dr. Chu. I don't know of anybody in the Defense Department that has made a greater contribution in his career than Dr. Chu has, but he can't give me an answer to this.

When do we get the answers? And how do we act upon them in the markup that is coming upon us? We need to be very careful about what we are doing right here.

The CHAIRMAN. Well, to Dr. Chu and to Mr. Spratt, I think Mr. Spratt has posited a good legal question here and that is as to whether or not the provision with respect to unreviewable authority by the Secretary is subject to the requirements of merit-based selection, which you cited. And if it is subject to those requirements, how are those requirements manifested if there is a departure from a merit-based selection?

So, I would simply ask Dr. Chu to have your counsel respond to the committee on that. I think it is a fair question by Mr. Spratt.

Dr. CHU. I would be delighted to.

The CHAIRMAN. So, if you have anything else on that issue though, I think you are going to have to ask your lawyers to respond to it. I think it is a very fair question.

Dr. CHU. I would just say similar language appears, I believe, in parts of the homeland security statute. But let me get the lawyers to answer your question, sir.

The CHAIRMAN. Okay, because, if it is the same language in homeland security, we are interested in the answer on that one, too. And that one is already in place.

Mr. SPRATT. Could I ask one question?

The CHAIRMAN. Go right ahead, Mr. Spratt.

Mr. SPRATT. I haven't gotten to this part in leafing through the material here in front of me, but I understand that your acquisition request, among other things, calls for the repeal of the SAR, the Selected Acquisition Report.

Secretary ALDRIDGE. Yes, sir. What we are proposing to do is that there is a whole series of very onerous reporting requirements that take an enormous amount of time to prepare. And it is not an attempt to try to deny the Congress information, but we would like to work out a better approach to reporting than what we have in the current SARs and unit reporting system. It just takes an enormous amount of time and people to prepare those things, and there has to be a better way to meet both your needs and can be done more efficiently within the Department.

Mr. SPRATT. But you leave a vacuum; nothing is proposed as an alternative to it. Why don't we keep the SAR until we come up with a better alternative? I am game. I have been trying to get the SAR revised and improved for the 20 years I have been in Congress, but we have never been able to get any significant changes.

Secretary ALDRIDGE. Well, we are delighted to work with the Congress to figure out what an alternative would be.

Mr. SPRATT. Let me tell you, that was a product of the Laird-Packard administration. And it was a product, in particular, for a Republican member by the name of Richard Schweiker who accosted Mr. Laird one day when he was testifying before the Senate Armed Services Committee and asked him how he could preside over a system where there was so little accountability. And in particular, we were having enormous over-runs then, in the late 1960s, early 1970s, due to the Vietnam War, particularly with our weapons systems.

And out of that grew the SAR. It came from a Republican administration. David Packard felt that he had to have some kind of variance report system. And initially it was used internally, and now I understand you have a better system internally, but you still send that to the SAR.

But all it says is, you know, "This is what we think we can build it for." You represent to us that before we pledge billions of bucks that this is the likely program unit cost of the system; will perform in these manners. It is simply establishing three different baselines and then determining whether or not the performance is tracking those baselines. It is the very essence of accountability.

With the expenditure of \$125 billion to \$130 billion a year, don't you think we need some kind of system like that, that systematically and methodically tracks cost, performance and schedule?

Secretary ALDRIDGE. Yes, sir. We had one of those inside that works very well. It is a reporting system. And maybe what we could do is share that with you rather than having to put a different set of reports—

Mr. SPRATT. Well, see, if we are going to do that we could write that into the legislation, but we don't have time in three days to make that swap-off.

Secretary ALDRIDGE. Well, that is why we need to work with you to figure out what it is that you need to do your job, as well as for us to do it more efficiently. And we are prepared to work with you to come up with that answer. But the SARs are not it.

The CHAIRMAN. Maybe so, Mr. Aldridge, if you could externalize what you are using internally right now and utilize that as a reporting mechanism without reinventing the wheel, that would

seem to be something that could be done conveniently, painlessly and yet give us the picture before we act.

Secretary ALDRIDGE. Yes, sir. We will go back and look at that.

The CHAIRMAN. Okay.

Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

Mr. Chairman, I would just like to make two points. The first: In the overview that I believe was prepared by our staff, it talks about the remaining five provisions which are related to the way we handle environmental issues and training and so on. And it has to do with the Marine Mammal Protection Act. It has to do with the other environmental issues that we have to face from time to time.

And in talking with you both before this session, this is probably an issue that we need to raise with perhaps Secretary DuBois or in some other forum. And so, we will look forward to doing that.

And like you, Mr. Chairman, I want to make sure that our process and policies provide opportunities for meaningful training, and the example that you pointed out on the West Coast Marine base is certainly something that we have to be aware of and deal with. And I look forward to working through these issues with Secretary DuBois and you, Mr. Chairman.

Let me raise one other point. It is, kind of, a follow-up to a Mr. Spratt's point, I think, on Section 201 of the proposal that you sent over, Title 2, Section 201, is entitled "Repeal Requirements for Major Defense Acquisition Programs." And as I read through that, of course, it is hard to understand exactly what that means, because basically we strike and insert words and we don't have the context from which they are being stricken or inserted. But it causes me some heartburn to think about repealing requirements for major acquisition programs, having lived through the process of watching the development of the interim fighting vehicle known as the Stryker and the Stryker family of vehicles.

Secretary Aldridge, we were informed some time ago that the House position in conference was a bad position and that we should recede to the Senate position and fund this program because we had learned a lesson from the war in 1990 and 1991, when Saddam came down and positioned himself along the Kuwaiti border, that we couldn't get there in time to stop him. And so we needed a lighter, more mobile system so that we could airlift it into the theater and with C-130s carry the necessary systems and equipment into the theater and be there in 96 hours.

Now, we receded to the Senate's position on that representation by the Secretary of the Army.

More recently, we have discovered that, as a matter of fact, as the Stryker system has evolved, it can't do that. A Stryker vehicle, ready to fight, a troop carrier—this is not the mobile gun system I speak of now, this is the troop carrier—weighs very close to 40,000 pounds. The maximum payload a C-130 can carry is 40,000 pounds. The problem is, in order to carry 40,000 pounds, it has to offload gas from its tanks in its wings, which gives it very short legs.

As a matter of fact, one pilot who was flying a C-130 with a Stryker onboard told me, just before they were ready to take off—

I asked him how far he could fly. He said, "On any given day, if we can take off with this load, we may be able to fly to a destination 60 or 100 miles away." I said, "You have to be kidding me." He said, "No, sir."

So, these kinds of issues are really quite important to us.

The chairman and I have spent some time studying this issue and we came across a report on the comparison between an M-113 and the Stryker in performance. Now, if you took the word Stryker and M-113, if we took the two titles out and called it "System A" and "System B," and you read though it and said, "Which is the new system?" a reasonable person could conclude that the M-113 was the new system.

And then, as we looked further, we came across some information just this week produced by the United States Army Safety Commission on the safety features involving the Stryker. And let me just point out three things.

And this slide talks about blast overpressure from the Stryker. It says, "Halo effect created by perforated muzzle brake designed to lessen recoil burn overpressure hazards to adjacent personnel and crew members when the hatch is open." That wouldn't seem to me to be a really great engineering design.

It says, "Vehicle weight exceeds the wheel design for the mobile gun system. Wheel design inadequate. Provides insufficient tolerances for current vehicle weights with four axles. Wheel design grossly inadequate for two-axle operation, considering only two axles are equipped with one flat inner cores."

There is a third issue here, which has to do with danger to the crew when the gun is fired because of the muzzle velocity and the recoil and the relatively light weight of the vehicle for purposes of handling the recoil from the gun.

So, when we read here that you would like us to repeal requirements for major defense acquisition programs, I am not sure whether we want to repeal them or whether we want to refashion them in some way so that we can get a clearer picture of what the progress on major acquisition programs are.

And if you would like to respond I would——

Secretary ALDRIDGE. Delighted. There is no attempt by that Section 201 to deny the Congress information on acquisition programs. It was just to see if we could find a better way to respond to your needs with information on the unit cost and the SAR reporting that take an enormous amount of time in the Department, which we believe is wasted time to report on outdated reports. There has to be a better way for us to give you the information that is more efficient for us and satisfies your needs. And that is what we were trying to do.

Mr. SAXTON. I agree, there needs to be a better way, because issues have been represented to us on this system that I am just talking about here now.

Secretary ALDRIDGE. I have not seen that report. I am going to find it, however.

I know that several of the configurations of the Stryker have been cleared for C-130. And I knew the mobile gun system had a weight problem and needs to go on a diet. And I know the Army was working on it; has not solved it yet. But the other configura-

tions have been cleared for C-130 flight, although they are equally capable of flying on C-17s, which is probably the way they would actually fly under those conditions of high-hot temperatures.

Mr. SAXTON. Well, that is fine. All the Army had to do was say that to begin with. We would have evaluated it in terms of that capability and in terms of that method of deployment. That is fine. We will buy more C-17s; Boeing will be real happy. [Laughter.]

Secretary ALDRIDGE. I wasn't here in the year 2000, sir. I will tell you, I wouldn't have told you that now. [Laughter.]

Mr. SAXTON. And we understand that.

But to come and hand us a document in a way that this one was given to us, which says that, "We are going to repeal requirements for major acquisition systems," is just not fair. It is not fair to us and it is not fair to the process.

Secretary ALDRIDGE. That was not the intent; that was certainly the case.

The CHAIRMAN. I thank the gentleman.

The gentleman from South Texas, who, in a few hours, is going to be honored by 35 different organizations for his heroic service to South Texas, Mr. Ortiz.

Mr. ORTIZ. You are very kind, Mr. Chairman.

Mr. Chairman, as we listen to the discussion this morning about the sweeping changes, there is no question that we might need more time to really digest and dissect the items that were given to us this morning.

But let me yield to my good friend who sits on the Government Reform Subcommittee on Civil Service. I think that they received a little information before we did and maybe can enlighten us little bit.

To my good friend, Mr. Cooper, from Tennessee.

Mr. COOPER. I thank my good friend from Texas for his yielding.

These are extremely important questions and I am, along with the gentlelady from Virginia, I think, about the only members of this committee who are also able to attend the Civil Service Subcommittee hearing. So we do have a little bit of advance knowledge.

The most important point to make is—and I would like to stress this with all my colleagues—regarding civilian personnel at the Pentagon, we are not being asked to approve a new system of civilian personnel. What we are being asked to do is to allow the Secretary of Defense to think up a new system so that when we are asked by the 600,000 or 700,000 civilian employees in the Defense Department what new system we approved in this legislation, we will not be able to answer that question.

If you read page four of the legislation, it is as broad a grant of authority to the Secretary as I think any of us have ever seen or could imagine.

I don't know exactly what the total payroll is for civilian personnel, but it has got to be over \$100 billion. And this is tantamount to a \$100 billion-plus blank check to the Secretary of Defense so he can think up a new system.

And I think many of us trust this Secretary of Defense; we are glad to give him broad authority. But think of future secretaries of

defense, because this could as easily apply to a future Les Aspin as to a future Donald Rumsfeld.

So we are being asked to do an extraordinary thing here. There have been lots of misleading comments so far. We are not being asked to approve China Lake reforms; that is not in this legislation. We are not even being asked to approve pay-for-performance. The intention is there, but the specifics are not there. We are not even being asked to approve the personnel reforms that were included in the homeland security bill; this legislation goes way beyond that.

So, it is about a \$100 billion-plus blank check and guess what? As my colleague from South Carolina pointed out, it is written in invisible ink. Because there is so much sole, exclusive and unreviewable discretion here I worry that we are abrogating our constitutional responsibilities. And I know the Secretary swore, as we swore, to uphold the Constitution and the laws of the land.

Another side-note is these personnel regulations are to be internal regulations in DOD, which also exempts them from a large section of the Administrative Procedures Act.

So we are not being asked here to approve a new personnel plan. We are being asked to allow the Secretary to think up a new plan.

This leads to a fundamental question. I feel we need more time. But guess what? If we are only given this, sort of, black box to talk about, I am not sure more time will help us. Unless the Pentagon comes forward with details, how are we ever going to be able to judge the quality or the lack thereof of a personnel plan? I think the Pentagon needs to be more forthcoming.

Dr. Chu didn't even submit written testimony until after the hearing began today. So members of this committee have not had a chance to even see his written words.

I would like to ask specifically of Dr. Chu if he is demanding that this committee include these personnel provisions in our overall markup from this committee, even though we are not the committee of primary jurisdiction. And it is my understanding that on the Senate side the Senate Armed Services Committee is not going to include the civilian personnel measures in their mark.

Are you insisting that we include these provisions in the Armed Services Committee mark?

Dr. CHU. I think what is in your mark, sir, if I may, with due respect is up to you gentlemen and ladies.

Could I come back to your underlying concern, which is what are the details? I think it is a very fair question.

As I indicated, we published the Federal Register on April 2nd; 22 pages, which I hope, Mr. Chairman, you will accept for the record as part of this hearing, on how we might proceed. This is the first of the best practices implementation actions taken for the work force as whole for which we have authority.

To the structural language in the proposed legislation, this does pattern itself after the homeland security bill, which says that the Secretary of Homeland Security shall devise a personnel system, et cetera. It does not, in the statute, lock in that system. It does outline the broad parameters much as this one does.

I might say this is also an approach that Congress has adopted in other areas. In fact, at least as I understand it, the grant of au-

thority to the Transportation Security Agency is actually broader than what we are seeking here.

It is very consistent with the pattern of recent congressional decisions. I think the big change here, quite candidly, sir, is we have with our April 2nd Federal Register notice, to which I commend everyone's attention, laid out in considerable detail how would we plan to proceed, down to how would the rating system work? How would the pay-bands be structured? What would be the salary ranges in these pay-bands? What are the career fields involved? What are the procedures for assigning employees to pay-banding, et cetera, et cetera?

So, we have tried very hard to provide in considerable detail how this system would work. We are not proposing to put every detail in the statute; that is a different statement. And I think the wisdom of this committee over the years has not been to legislate each detail in the statute.

Mr. COOPER. So you are not insisting that we include this in the Armed Services mark. You did provide some idea of your thoughts in the Federal Register announcements, which I have had the privilege of reading, and that is just a sample. You are nowhere in the statutory language that we are being asked to pass required to follow this. This is just an example; it is discussion material.

So I would respectfully say we do not want every detail spelled out in that statute, but we do deserve some details; more than a one-sentence grant of authority to the Secretary of Defense to do whatever he wants. That is an amazingly broad grant, especially since this is a committee that usually fights over the details of every single weapon system. We go at it in a bipartisan, patriotic fashion. But this is a \$150 billion blank check in invisible ink regarding our civilian personnel, and we are given almost no information and expected to pass it in a matter of days. That is extraordinary.

Dr. CHU. I would say, sir, respectfully, that I do believe that the Federal Register notice provides the kind of detail you are looking for. That is the blueprint we intend to use. We have testified to that.

As you point out, we would probably not want to put every—

The CHAIRMAN. Dr. Chu, where did you say the specifications that you are referring to are manifested?

Dr. CHU. They are in the notice we published in the Federal Register April 2nd, 2003, pages 16–120 through pages 16–142, which I would submit if I might, Mr. Chairman, for the record for this hearing.

The CHAIRMAN. Without objection, those will be taken into the record. But those were published when?

Dr. CHU. April 2nd.

The CHAIRMAN. Okay.

Go ahead, Mr. Cooper.

Mr. COOPER. There is no statutory language that requires you to follow these recommendations that were published in the Federal Register.

You are asking us to buy your good intentions, which many of us believe wholeheartedly, and you are asking us to buy your values, but there are no specifics here. We are asked to turn over

broad authority—far broader than this committee has ever turned over before—to make personnel changes unthought of in the last 50 years. And so much of it is sole, exclusive and unreviewable by your own language.

And this might be fine for this Secretary, but think of future secretaries. You would not have endorsed legislation like this from some of this Secretary's predecessors. But, this is permanent, statutory law, and so much of it is unreviewable, I am not sure this committee will ever know what future secretaries are doing.

And you mentioned in the earlier hearing you intend to implement a good bit of this, if you can, this fall. I would respectfully suggest that you have more information than you are disclosing to this committee today.

And lest anyone think this is all just my opinion, our colleague from New York, Mr. McHugh, quoted the GAO. Look at some other GAO testimony this week. And they say that, "The DOD plan does not provide an adequate justification for the significance of the proposed changes."

The GAO goes on to say that, "Moving too quickly or prematurely at DOD can significantly raise the risk of doing it wrong."

The GAO also says that, as far as they know, "A document containing a fully-developed justification for the proposed changes is not available, at least to outside scrutiny."

So these are deeply troublesome concerns that I think everyone on this committee has, especially since we don't even have primary jurisdiction. And we are being asked to include it in our mark.

This is not a fair way to change the work rules for 700,000 Americans, especially those who have performed so brilliantly in the Iraq war and in the Afghan war and in supporting all the Pentagon activities.

I am sure there are problems. And we are all for pay-for-performance. But let's see a pay-for-performance plan; one that you are obligated to follow. This just gives the Secretary discretion to do whatever he wants, including, by the way, repealing the nepotism prohibition. My colleague from South Carolina mentioned that.

If you look at Sections 31 and Sections 33, you will find some shocking things that the Secretary has complete discretion to get rid of. That is not a new personnel plan, that is a disaster waiting to happen, either in this Administration or in a future administration.

And when so much of it is unreviewable, we may never be able to reclaim jurisdiction again over these vitally important policies for hundreds of thousands of key defense personnel.

So I would urge you and your lawyers to be more cautious in your approach, to be more forthcoming and to give this committee and the Civil Service Committee, which my colleague from Virginia chairs, a fair chance to deal with these vitally important issues. Because unless several of us, including our ranking member, Mr. Skelton, had insisted, we wouldn't even have been having this hearing today. We would have been asked to pass this sight unseen, no hearing, no testimony, no witnesses. And that is not fair.

So I would urge you, as I urged you in the Civil Service Committee, to take a new and fresher and more open approach to this so we have a chance to know what we are voting on. Because we will

be asked by probably each one of those 700,000 people, "What did you pass?" And we will point to 9902A and we will say, "We asked Secretary Rumsfeld to do it for us." And we may never know what happened.

That is not a responsible answer. That is not a constitutional answer.

So these are troubling questions and there are many other sections of the bill. This is just civilian personnel, but this is in the first title of your bill. So please help us do a better job, help us do our constitutional responsibilities.

Dr. CHU. We will provide all the help we can, sir.

I would like to point out this is exactly the structure Congress approved in terms of how to proceed, how to design a modern personnel system in the homeland security bill.

Mr. COOPER. Will you be willing to settle for the homeland security language? Can we agree on that today?

The CHAIRMAN. At this point that may be a tempting offer here. [Laughter.]

Dr. CHU. And I am eager to see if you would be willing to deliver it, sir. [Laughter.]

My point is that there are some changes, particularly, and most importantly, to seek recognition; we want national bargaining with our unions. There are some changes relative to the homeland security statute, but the basic construct, including this approach designing the personnel system, is exactly what you have in the homeland security statute.

Let me, if I may, respond to a specific point you made and then the general question you are raising. You asked whether nepotism is feasible. No, it is a prohibited personnel practice. As I indicated, the starting material of the proposed legislation says you can't violate primitive personnel practice limitations in anything you might do, whatever grant of authority might otherwise be given.

To the larger question you are raising, I think we will differ as to what the best way is to improve the United States federal civil service. But I think what a wide range of opinions, whether that is Paul Volcker's most recent commission, whether it is the studies by the Brookings Institution, whether it is material that the Congress itself has assembled via this hearing, agrees we do need to modernize the federal personnel system.

We are not going to succeed if we send our representatives, as I do, to college job fairs and we tell young men and young women, "I will let you know in three months whether you have a job." The next table, where General Electric (GE) sits, where Microsoft sits, they are telling young men, the quality college graduate, "You have a job. I will check your references. As long as those pan out, it's yours." We are not going to succeed if it takes three months to change someone's job qualification. It is not going to succeed if we can't deploy the helicopter repair team from Corpus Christi to the Gulf because we can't get anyone to agree, under present rules, that it is a good idea to go.

Mr. COOPER. Dr. Chu, you are not offering us a pay-for-performance plan. You are offering us the opportunity to give Secretary Rumsfeld complete discretion to think up one, which may or may

not resemble China Lake, which may or may not resemble the federal regulations you have submitted.

We should be voting on a specific measure. And let's get a real pay-for-performance measure and I bet you would see broad acceptance of that. But you are not asking us to vote on that today.

Dr. CHU. I would beg to differ, sir. If I could, again, draw your attention to the April 2nd Federal Register notice, we have set out in that notice both what the pay-bands would look like and what the performance evaluation system would be. So we have tried to put our cards on the table, to be clear about what the implementation of such legislation might look like for our people.

Mr. COOPER. The Secretary is not in any way bound by your April 2nd submission. He has complete authority to do whatever he wants to under what you are asking us to pass.

So if you would like to limit his authority to April 2nd, let's talk about that. Or if you want to limit him to homeland security measures, which were thoroughly debated in the previous Congress, let's talk about that.

But what you are asking us to do is to allow him to do whatever he wants. And that is a \$150 billion blank check written in invisible ink. And that is not fair to this committee. That is not fair to this nation. And it is not fair to these employees.

Dr. CHU. It is very similar, sir, to the demonstration project authority you have already given us. We are patterned after the past act of Congress. If the Congress prefers a different formulation, then that is, obviously, a subject for discussion. But we are patterning ourselves on what you enacted in homeland security, what you have enacted in the demonstration projects, very similar grants of authority.

Mr. COOPER. Well, why do you then go way beyond homeland security? If homeland security is sufficient, which we may agree on, why not limit there?

A demonstration program is quite different than having something that, according to the first sentence of your statute is applicable possibly to every civilian employee of DOD. This is not a demonstration program, this is sweeping reform unlike this committee has seen in a half a century. And you are asking us to accept essentially a pig in a poke, to accept this blind on a few days' notice. And we will not be able to answer the simplest questions about what we approved or disapproved because no one here knows.

The CHAIRMAN. Dr. Chu, why don't you respond to that last statement, if you want to? And then we will move on to Ms. Davis for her question.

Dr. CHU. Sure.

The CHAIRMAN. And I know Mr. Cooper has taken some time, but I think he has asked some appropriate questions here. It is clear in this language that this is a grant of discretion and authority, albeit at this point to a guy who just took 250,000 Americans and their lives and handled his authority very effectively.

But the point that is made by Mr. Cooper is that this is an enduring grant of authority that will allow secretaries in the future to continue to shape and change the civil service program where they think it is appropriate. And that, of course, is subject to our ability to come back, which we are going to be doing, assuming that

we pass a good part of this package. We will be putting another bill together in nine months. And we will be back to change and review and mandate where we think it is appropriate.

But you might comment on this point that Mr. Cooper has made, which is that this is a delegation of authority to the Secretary to shape this program, understanding that Congress, where it wants to, could involve itself down to very minute detail where we think it is appropriate.

What is your response to the general truth that this is a fairly broad grant of authority to shape this program in an enduring way which will pass to succeeding administrations and succeeding secretaries of defense? Why do you think that is necessary?

Dr. CHU. It is, indeed, a broad granting of authority, sir. We think it is appropriate given the enormity of the challenges in front of us. It is, as you suggest, subject, at all times, to the review of the Congress. The Congress has the right to revoke that authority, to reshape that authority, to give us guidance, as you do in each year's authorization reports, which we read with considerable care as to how you intended that authority to be used. And it is for exactly that reason that we wanted to put the details of the Federal Register on the table to demonstrate our intent in this regard.

What we see ahead of us is a fast-changing world with many threats to the United States and security of its citizens. We want to be sure that the Department of Defense, with its total force, active, reserve component, civilians, is ready and able to respond to those threats. And that is the purpose of the granting of authority. So the Department is ready and can, indeed, provide defenses that you probably expect.

The CHAIRMAN. Ms. Davis.

Mrs. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

As my colleague, Mr. Cooper said, we had a rather lengthy hearing on Tuesday on this issue, and during that hearing you iterated several times—and you have today, as well—you discussed the demonstration projects and talked about how we had given you authority in the past, over, I think you said, 20 years, for about 30,000 employees, civil servants.

But if I am correct on it, you don't have this broad authority that you have asked for in this legislation. You have some of it, but not as broad of an authority.

The second thing that you said several times, we have 9,000 folks over helping the troops in Iraq. Only 1,500 were civil servants; the other 7,500 you had to contract out. After the hearing on Tuesday, I asked the question. I still don't have an answer back yet as to why those other 7,500 people could not have been civil servants. And in some of the questions, what I finally asked was, were those civil servants even asked if they wanted to go? And basically, the answer was no, so I am still waiting on an answer of that. Why did you have to contract out 7,500 if the 7,500 were not asked if they wanted to go?

The other thing, in the hearing on Tuesday, and it goes back to what Mr. Spratt said and Mr. Cooper said, you said you were not trying to waive nepotism and the other aspects of the law, but your intent was to enable you to create a pay-for-performance system. And as you have testified Tuesday and as we have heard today, the

flexibilities you are seeking in this what you are asking us to pass are beyond those granted to DHS. And I can see how you think you might need more flexibilities and pay statutes, but I don't see how these additional flexibilities that you are asking for are essential to creating a pay-for-performance system.

My question is, if DHS has the ability under its authority to create a pay-for-performance system, do you think they do? And if they do, why do you need more additional flexibilities to create such a system? And what specific additional flexibilities do you really need to create the system? And if you need them and DHS doesn't have them, then does DHS need to have them? That is a lot to ask you, but I can't see you and it is hard with the microphone.

Dr. CHU. I will try to sit up straighter. I apologize. Let me try to answer several questions you posed.

First, on the question of why not more civil servants, as a practical matter we did contemplate sending more. The problem we encountered is that under the current rules, if not all members of a team, let's say a repair team, would be willing to volunteer to go, we have no way to send the team as a whole. We can't send part of the team.

Mrs. DAVIS OF VIRGINIA. Were they asked? Any of them?

Dr. CHU. I will need to check to be sure that I am accurate in responding to your statement, but that is my understanding of the source, the difficulty that you can't send the whole team, which you can with a contractor. The whole team goes. In our case, each person could decide whether he or she wanted to opt in or opt out. And, of course, you can't have someone who only fixed part of the helicopter. You have to fix the whole helicopter. That is a practical matter.

To this question of differences with Homeland Security, we have learned some lessons as Homeland Security moves forward to try to implement its statute. And it is my understanding of the case they can have a pay-banding system if that is their choice. They do have some constraints on it because the way the staffing flexibilities provision of the law were written, and it is that kind of technical change that we would like to make here.

The big, substantive changes in this bill relative to homeland security really fall into three pots.

First of all, we would like to have recognized in the statute that we want national bargaining with our units.

Second, we have a series of provisions which we discussed with you in your hearing on the employment of older Americans which are not present in the homeland security bill. That is an important flexibility, I believe. As the current generation of the so-called baby-boom employees retires, we would like to bring back some to serve as mentors and guides and sources of knowledge as that transition moves forward.

And third, we would like some ability to get the best graduates of America's universities into this Department through on-the-spot hiring practices. Our proposal would be, let us have such on-the-spot authority with the top ten percent, those with grade averages above a certain level and so on and so forth. That is not, as I understand it, feasible on the homeland security itself.

These are designed to take us to the next level, so to speak, as the business community would like to say.

Mrs. DAVIS OF VIRGINIA. Mr. Chairman, if I could go a little further, I think it is the middle one that you talked about, being bringing the annuitants back and also the older folks back. There are two different sections, as I read it, in what you have.

The one concern I have in bringing annuitants back, yet I see the need for it because we need the expertise. But the concern is there is no limit. As I understand it, you can have the person retire today at 5 p.m., close up desk, leave everything they have, retire at their full whatever, their full retirement, come back tomorrow at from 50 to 80 percent of their salary while they are still collecting their annuity.

Now I think I voiced this to you, several concerns. One, I don't know what the cost would end up being to the federal government for doing that. Two, the competition that it could lead to from bringing those folks out of other agencies within the government would be an unfair advantage. And I am sure we will have other agencies lining up the day after we pass this, if we pass it, wanting to do the same thing.

But the one that concerns me a great deal is bringing the older folks back in and it not affecting their Social Security. We already have a problem with Social Security. We are looking at bankrupting Social Security down the road anyways. And what will this do to us? We don't have any limits, we are not setting anything in this bill, you know. What is going to be the cost of this bill? And I don't think you can tell me.

So I guess my question to you is, is there some way that we can tighten it up and just give you a certain number that we would allow or either make you go back to OPM and say OPM has to let you know within ten days? Because your concern is OPM takes so long, right? So if they would have to give you an answer within a certain number of days—and I know it is restraining you a little bit, but if we don't have some restraints, I mean, I am afraid we are going to bust the budget here. And we already have a problem with the budget.

But those are all concerns of mine and I would really like to sit down with whomever. And I have heard that you have been talking to all of us about these reforms. Well, I think I have been in on at least one where I heard concepts. Well, I always worry that the devil is in the detail, and these details are worrying me to death.

We want to help you. We want to give you flexibilities. And I think most of the folks on this committee would like to give you flexibilities. And I know the people in Government Reform would like to give you flexibilities, but we are very concerned about the details. We don't want to hamstring you, but we also want to make sure that we are responsible to the taxpayers because that is who we are elected to represent.

And Mr. Chairman, I would certainly like to work with you and the full Chairman of Government Reform, Mr. Davis, and with Dr. Chu and with whomever else, that would be Department of Defense, so we can work out a solution. My concern is the same as I had with my colleagues on the other side of the aisle, is that maybe it shouldn't be pushed so quickly in our authorization bill,

because I don't want to do anything to harm our military because you know I support them completely. And I don't really want to rush into this, but I do want to try and fix the problem.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady and I know she did pose a question that I think is a meaningful question to all of us, and that is this license to rehire a retired worker. Tell us a little bit about that, Dr. Chu, and why is that important, and what flexibility do you need there?

Dr. CHU. Yes, sir. Thank you for the opportunity.

First of all, let me speak to Ms. Davis' concern about limits. If it were a Social Security annuitant, it would be a limit of two years, renewable so-called critical skill for two more years. But that is it. So it is a limit in terms of time.

As a practical matter on the Social Security annuity front, the problem, I think, the country faces is that there is a severe discouragement to these people to working. And in fact, my forecast would be you would actually see additional tax revenues because they would be generating more income subject to taxation.

To the broader question you raised, Mr. Chairman, in response to Ms. Davis' point, certainly we would be delighted to work with you on details; certainly happy to discuss limits.

First, I should observe, this committee was the one that did change that underlying principle on receipt of annuity of also a government employee for military personnel about three years ago. And we are merely seeking to put the civilian personnel in the Department of Defense in the same position as you have already put the military personnel in this Department.

To the need, though, which is really the issue here, we face a situation, as you know well and you being among the leaders emphasizing this subject, ma'am, we face the need to replace half our work force over the next 10 to 15 years. In five years, half that work force will be eligible to retire. Not everybody is going to retire the first day, but over a 10-to 15-year period they are all going to leave.

The CHAIRMAN. What portion is that, again?

Dr. CHU. Half our work force is eligible to retire in five years. Not everyone is going to be able to retire on that day for a variety of reasons. But half are eligible.

What that really means is in 10 to 15 years half is gone. And unfortunately, because of the hiring restrictions of the last decade, the Department did not hire the replacement generation. So now you are going to have a work force largely composed of junior personnel who do not have the experience, the depth of knowledge that these senior members do.

What we want, and that is the reason for this particular solicitation of a grant of authority, is the ability to hire some of these people back after they have retired as mentors, perhaps part-time. Most importantly these people have in their heads the knowledge of what it really takes to carry out the kind of operation we have just conducted. And we need that knowledge transferred to the next generation.

And without some ability to get these people back, who are otherwise going to go out and work for a private firm, so it is not as

if they are, indeed, going to collect both their federal annuity and some other salary. The issue here is can we hire them.

Otherwise, what happens, to be quite candid about this, the contractor hires them. Which is back to your question, Mr. Chairman, why so many contractors? This is part of the reason. You can legally hire them as a contractor; quite ironic: We cannot legally hire them as an employee of the U.S. Government.

The CHAIRMAN. Dr. Chu, on that point, because I think that is a really important point, at least talking with my federal workers over the many years, over the last 20 years or so, I would think that a lot of the senior guys—because nobody has got a better spirit for helping this country than our DOD federal workers—a lot of them, I think, would relish the mentor role, to come back and teach the new folks on the block a lot of these insights and in many cases, a lot of the stuff that they do is really an art.

Dr. CHU. Absolutely.

The CHAIRMAN. It is something that is developed by a combination of technology and expertise that is acquired over time. And the idea of being able to bring that guide, that steady hand, a man or woman, back to show the new folks how to get the job done, I would think would appeal to a lot of these folks.

Is that something you have reviewed with federal workers and talked to them about? I don't think there would be opposition on that point.

Dr. CHU. No, sir. In fact I think they would welcome it. I have had retirees expressing quite bitterly their resentment that they cannot come back and help when they have important technical knowledge. They would rather do it directly for us. They really don't want to do it through some third party. We drive them to the third party as the only employer in these situations.

Mrs. DAVIS OF VIRGINIA. Mr. Chairman, I think you might want to talk to the Senior Executives Association (SEA). I am not sure that they are as thrilled with it as you think.

But my point I wanted to make was that when Dr. Chu said there was not the intent, it also goes to the same thing as the nepotism laws and the so forth. A lot of the bill is not the intent. And I think the words you used to me was this bill was going to require a lot of trust. And I think that is the part that made all of us uncomfortable. And it is not that we don't trust you or Secretary Rumsfeld. It is like my colleague from Tennessee said, it is this is enduring forever and ever, and you know, sometimes once you let this train leave the station it is not as easy to pull it back. And that is where our concern is.

Thank you, Dr. Chu.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Skelton and I have to leave in just a couple minutes. We are going to be back and Mr. Hefley will take over. And I think Mr. Taylor is next on this.

Let me just say, Dr. Chu, this thing about it being unclear whether anything other than merit, you have the statements of merit-driven system and Mr. Spratt asked how that is translated into a constraining mechanism with respect to hiring. I am sure you folks wouldn't be adverse to this committee taking away any ambiguity.

So if you have exactly the same restrictions on nepotism and other practices that we have always maintained, you would have no quarrel with that, would you?

Dr. CHU. No, sir. And we believe that the draft we sent to you, in fact, maintained exactly those principles.

The CHAIRMAN. Well, rest assured that one thing we will do is ensure that any product leaving this committee will have it iron clad that that issue is done with. So I don't think we have to worry about that anymore.

Dr. CHU. Thank you, sir.

Mr. TAYLOR. Thank you, Mr. Chairman.

If I may first take this opportunity to go on record to request of the chairman that this item, because of its significance and because of its flaws that have already been pointed out, be voted on as a separate measure from the defense authorization bill.

Mr. Aldridge and Mr. Chu, thank you for being here. My colleagues have mentioned problems they have seen in personnel. I would like to point out and ask you some questions about acquisitions. Because I, quite frankly, as someone who represents shipbuilding country, am appalled by the waivers you seek from the Made in America provisions.

I would like to point specifically to section 204 of your bill: "The Secretary of Defense may waive the application of any domestic requirement or domestic content requirement with the exception of Small Business Act and articles listed below if he determines the security interest is served by a waiver of such requirement."

And for you, from shipbuilding country in Virginia, I sure hope you pay attention. And for folks who represent aircraft manufacturers or parachute manufacturers, chem-bio suit manufacturers, I sure hope you are listening.

"The waiver authority includes, but is not limited to, circumstances in which it is necessary to promote standardization, interoperability of conventional defense equipment with allied and friendly governments."

So therefore if M-16s are made in your district, the Secretary can decide we need to get AK-47s made in Romania, because they are indeed friends.

If by chance the Joint Strike Fighter was to have been made in your district, I would point out that the Eurofighter Typhoon is made by friends.

"It is necessary to encourage competition in the Department of Defense procurements." Well, I am sure the Chinese make a fine chem-bio suit. It wouldn't have been great to have been counting on the Chinese in this latest effort to send those chem-bio suits in a timely manner since they weren't exactly very helpful in the war in Iraq.

"Significant cost savings for purchases of DOD supplies can be achieved." Again, we know we need to buy some tankers. The Chinese make the cheapest tankers on Earth. Wouldn't it be swell if the next generation of Navy tankers was constructed in China?

But, you know, it gets even better, and I am really looking forward to your comments on this, because—and for those of you weren't around—and I really greatly respect General Shinseki, let me go on record as this—and I don't mean a swipe at him—but

some of you may remember one of the first things General Shinseki did, and I think, in retrospect, rightly so, was changing over to the beret to create more esprit de corps within the Army, and I think it has worked.

Unfortunately, that first batch of berets came from communist China, which gave a number of members of this body and of this committee a lot of heartburn. I think it was the threat of legislation from this committee for domestic source that got the general and others to turn around and buy them in America.

Well, under this law change we couldn't do that, because if you look at section D—and I would hope the attorneys in this room would pay particular attention: "Construction with respect to later enacted laws," now this is verbatim, "this section may not be construed as being inapplicable to a domestic source requirement or domestic content requirement contained in a law enacted after the enacted of this section solely on the basis of the later enactment."

Which means, Ms. Davis and Captain Schrock, if they decide to build an aircraft carrier in communist China and this committee sees fit the next year to say, "No, you can't do that," they have already said ahead of time, "You can't do that." And, of course, you could spend a year or two trying to get that measure before the Supreme Court, in which time they have now progressed about halfway constructing that aircraft carrier.

Guys, I got to give it to you. Boss Hogg couldn't have come up with this one. [Laughter.]

This is so swell. Six years in the Mississippi legislature and I saw all kinds of schemes. This is the best ever.

Now I want to hear your comments. [Laughter.]

Secretary ALDRIDGE. I am not sure how to comment to that.

The intent is to maintain a healthy industrial base for this country. As I have testified before this committee many times, that has been one of my top five goals is a healthy industrial base. And everything we do is to try to make that industrial base in this country as strong as possible through a wide variety of techniques, including buying the products.

When we go through the process of deciding on a weapons system it is clearly buy American. Domestic content is always at the top of our list.

However, there are some rare occasions, as we have provided in the Buy America Act, that the Secretary, for public interest reasons, has the authority to do a waiver when it is in the best interests of the country to do so.

It so happened in this one he does not. And so we thought it was appropriate that on those rare occasions when it is appropriate for us to buy something from one of our allies that may not have domestic content in it for interoperability reasons, the Secretary ought to have a little bit of authority.

You trust him, you trust the Secretary of Defense to make certain decisions that affect the lives and the health of many of our troops. You have to give the Secretary of Defense some degree of flexibility when it is in the interest of the country to waive some of those restrictions, but only when it is——

Mr. TAYLOR. Mr. Aldridge, with all due respect, you are not asking for some degree, you are asking for a total waiver. And it is not just this Secretary of Defense.

Secretary ALDRIDGE. He can waive for national security purposes. It is not the intent of the Department of Defense to circumvent the law. The law clearly says there has to be domestic content, that we will follow the law. There are those exceptions, and all we are asking for is a waiver for national security purposes when it is in the interest of the government to do so. It is not waiving the law, it is just giving the Secretary of Defense authority—

Mr. TAYLOR. Mr. Aldridge, have you read this?

Secretary ALDRIDGE. I have read it several times. I am not a lawyer, as Dr. Chu is.

Mr. TAYLOR. Would you like me to read it to you again, sir? Would you like me to go down the list of all the exemptions? Because after reading all of these exemptions there is no reason why you have to buy anything in America. To promote standardization? Well, I guess the Chinese make green shirts just like the Army wears.

Secretary ALDRIDGE. Mr. Taylor, you know that is not the intent of that language. It is not the intent.

Mr. TAYLOR. I don't know that is the intent, sir. And I don't want some Supreme Court justice deciding whether or not this committee intended what we intended to say. I think this committee ought to say what we intend to say.

And by the way, since you have the language in here that says we can't even question your actions after we find a mistake, I find that particularly appalling.

I have read the Constitution, sir, and it does not call on me to give to the Secretary of Defense my constitutionally mandated duties. And I deeply resent that you are trying to bury this somewhere in a 300-page bill and then give me one week to vote on it.

I will remind you, sir, that this committee, which normally gets the defense authorization request from the Secretary in February, waited until July the 10th to receive the first one from Secretary Rumsfeld. I didn't hear anyone in this committee make a whole lot of stink of, "Well, he is new, let us give him some time, let us give him some time to do it right." For that same Secretary to turn around and say, in a period of ten days he wants us to pass this verbatim without ever reading it, I find appalling given the slack that we cut him in his first year.

This is significant change. It in effect takes this Congress from a performance-based Congress to a Congress where we get paid to attend. There is absolutely no reason for the committee to meet if this bill passes.

And, again, Mr. Chairman, I am not in a position to demand, but I would respectfully request, given the gravity of this bill, the significance of this bill, that this committee be given the opportunity to vote on it as a stand-alone measure and let it pass or fail on its own merits.

Mr. HEFLEY [presiding]. Mr. Taylor, we will pass that on to the chairman.

Mr. Chu, on your whip list, put Mr. Taylor down as undecided, please. [Laughter.]

Dr. CHU. I will do that, sir.

Mr. HEFLEY. Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

Thank you, Dr. Aldridge, Dr. Chu, for being here.

This has been a fascinating debate, and I knew it would be this way. Change is hard. Change is hard for anybody. I am probably as guilty as anybody else. But I, for one, hate red tape like everybody else, and there is a lot of red tape in the Pentagon. When I worked in the Pentagon, I was a lieutenant in the Navy; I could do nothing about it, but I hated it, and I realized something had to be done.

Everybody needs to understand, this crew you are seeing here, the people who occupy the Pentagon, are just trying to address some of the problems and they knew they were going to take some hits when they did it. But they are legitimate issues, and there have been some wonderful questions asked, some wonderful responses given, and I am sure they appreciate that.

Acquisition bothers me. For instance, the F-22 the Air Force desperately needs went on the drawing boards in 1983. Here it is 2003. They wonder why the thing is going to cost \$200 million a copy. Well, technology has changed 100 times since then. We have to tighten that stuff up, and I think some of the bureaucracy that created that is what you are trying to get at to make that go away.

And I certainly agree with my good friend from Mississippi about aircraft carriers. Nobody builds them better than Northrop Grumman Newport News Shipbuilding and Drydock Company in Newport News, Virginia, and we will never want that to change. We have to keep that as strong as we can. And the thought of the Chinese or the Japanese or anybody else building them is absolutely appalling to me, so we have to make sure that never happens. And I don't think that is your intent.

And I am concerned, too, about the possibility of overseas repairs for ships. I have some wonderful shipyards in the district I am privileged to represent with some wonderful workers who do it better than anybody else in the world. I want that to stay in Virginia. I know Californians won't like that too well, but I want it to stay in Virginia. And I know you are working on that and trying to make sure that isn't abused.

But that being said, I have the utmost respect for Secretary Rumsfeld and the magnificent men and women that we have in uniform in our military. And this team has just demonstrated to us and the world that they are the very best and can accomplish what they are given through terrible adversity. And today I think our national security is a lot better because of what we have just gone through. And as members of this committee, I think our job is to ensure that our security is assured for the future, as well.

Now, I understand the necessity for the Secretary of Defense to have the authority and the tools to preserve that national security, but clearly the mission of DOD is significantly different from that of other Cabinet departments, and as such the Secretary of Defense (SECDEF), subject to the guidance from our president, needs the

ability to waive some of the bureaucratic requirements that we might find to be reasonable for other federal agencies.

We have heard some of it talked about here, some of the endangered species things. This situation at Camp Pendleton is absolutely ludicrous. How do we expect some of these young kids that went to Iraq who were building foxholes for the first time—not that it takes a rocket scientist to build a foxhole, but it would be nice if they had had that training. But regulations prevent that, and we could be putting our kids in harm's way if we don't ease up on some of that. And I think that is what some of this regulation does.

I am sure you will agree with that, Dr. Chu.

Dr. CHU. Yes, sir.

Mr. SCHROCK. And isn't that what the Administration had in mind when it proposed the waiver authority in the National Security Personnel Act?

Dr. CHU. Yes, sir, that is indeed right.

Mr. SCHROCK. And I think that is important.

I have so many questions, I don't know where to start, and I know my time is going to run out. Let me run down to one.

We are going to hear from Mr. Harnage in a few minutes, and I look forward to hearing what he has to say. I would like for you to help me understand what you mean when you say you want to bargain at the national level. Would every issue be adjudicated at the national level? And if not, could you give us some examples of issues that might be bargained at the national and the local level?

And I guess I am wondering, too, if these are federal employees, why are they negotiating with local unions? Shouldn't they be doing it with the national unions? And if they have to do it at the local unions, I have to believe there are hundreds and hundreds and hundreds of them; you would have to have a bureaucracy in place that would cost billions of dollars to make that happen, and I just don't understand that. Help me understand that.

Dr. CHU. Yes, sir, I will do my best.

We have 1,366 locals, I believe, in the Department of Defense. Examples of issues to be bargained at the local level relate to such things as parking, for example, which is a very localized kind of situation.

An example of an issue to be bargained national level would be personnel rules that apply to the whole work force. An example, as I offered earlier, would be what do we do if you fail to pay your travel card bill; can we recover that from your salary? That is the kind of issue one can apply to everybody; it is not specific to a local situation, it is a nationwide consideration. That is the kind of thing we would like—explicit authority to bargain at the national level.

Mr. SCHROCK. If a uniformed person would do that, they would garnish their wages, no questions asked.

Dr. CHU. Yes, sir, that is correct.

Mr. SCHROCK. I know.

Dr. CHU. But the intent here is to produce faster results, better results, in the end, I think, for our workforce itself. To get these issues settled we would like to work with the national unions on those issues when they are going to apply to the entire work force. When it is a local question, like where the parking space is located

or how you are going to come into work or something like that, that should be left to a local union.

Mr. SCHROCK. When I was a Navy captain I parked in the far, far, far end of the north parking lot at the Pentagon. Took me a half-hour to get to work; it didn't seem to bother me.

Dr. CHU. We will try to do better by you, sir.

Mr. SCHROCK. If I could address just one more question, Mr. Chairman, my colleagues and I on this committee understand the important role that DOD has and how that role differs from the role of homeland security that has been talked about here today. What may be helpful to us is if you could give us some examples of why those different roles require different management authorities and why does DOD need flexibilities beyond those that we have already authorized to the Department of Homeland Security.

Dr. CHU. Yes, sir. I think the entire Department and our responsibilities illustrate the difference. It is, after all, homeland. It is at home. One of the key things about this force is it has to deploy, as we have just done in Iraq. We sent 250,000 military personnel, 9,000, 10,000 civilians to the Gulf region on short notice, quickly, often having to improvise the arrangements under which they are going to labor.

So this is a force that needs the ability to reconfigure itself promptly. We are about to do the reverse, actually, as I suggested in my earlier testimony. We are going to bring these people home, but not everyone is going to go home to the same place they started from. That is the challenge in front of us. We are going to have to reconfigure how those posts, camps and stations are organized. We are going to have to restaff them. We will need to do that quickly. We would like to do many of those with civil servants. We prefer that alternative. We need the flexibilities that we are proposing here in order to get to that result.

Mr. SCHROCK. If the chairman doesn't cut me off, I would like just one more quick question. I haven't read the whole 200 pages. I am going on a five-day trip in about five hours; I promise you I will read the whole thing.

But I know this is one part of it you are seeking a number of authorities that will affect how DOD manages flag and general officers. And I know some of that was discussed. Could you explain the management concepts that could drive the changes that you requested? I think I understand that, but I want everybody else to understand that.

Dr. CHU. Yes, I would be delighted to.

The intent is to allow the Secretary of Defense to be purposive in the tenure a flag officer has in his or her post. Present practice, unfortunately, is everybody, sort of, turns over every two years; not a good paradigm. If you are going to remake organization, I think we all agree you often need to be there three, four, five, six years in some cases.

Moreover, we all believe, I think, that we ought to get more time out of our most senior offices, especially those in the grades of O-9 and O-10. So you might have more than one multi-year assignment, just as General Jones was confirmed by the Congress to be our commander in Europe, having been Commandant of the United States Marine Corps. And as General Rogers in an earlier era also

served as Supreme Allied Commander Europe (SACEUR), having been Chief of Staff, United States Army.

Under the present rules, it can be tough to do that. The age limit is 62. If we went to the kind of world I have just described, the most senior officers would probably serve 40 years. The power that this committee gave us several years ago—that means, if you start commissioned, age 22, serve 40 years; if there is any break in service—and some of those most senior officers have breaks in service—

Mr. SCHROCK. As the current Chief of Naval Operations does.

Dr. CHU. Yes, sir, that is correct. You are not going to make it. You are going to run out of time.

And so, the purpose of the general flag officer provisions is to give us the latitude to keep some of those senior people a bit longer to allow them to be in their posts a bit longer. That means you are got to manage the rest of the force in a little bit different way. In particular, you need to be able to invite those who are leaving at a more junior flag grade to retire promptly, and hence the provision on retirement at grade of the services, honorable service and satisfactory without regard to tenure in that grade.

But it is a package. It is intended to get the result I have attempted to describe, which is to get more out of our finest officers, to have them in place for a longer period time to make the initiative more effective.

Mr. SCHROCK. See, I look at people, at Admiral Clark, for instance. His best years are ahead of him. And that is the point when he has to leave, and I think the country suffers from that.

Dr. CHU. Yes, sir.

Mr. SCHROCK. Thank you for your indulgence, Mr. Chairman.

Mr. HEFLEY. Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman.

And thank you, Mr. Secretary and Dr. Chu, for being here.

Mr. Chairman, before I make some comments and ask some questions, I would like to endorse Mr. Taylor's request that we do handle this separately from the regular defense authorization in whatever manner the chair deems necessary. But I think that there has been sufficient questions raised, where it would be a disservice not to do it that way. So I will make that request.

My first question, Dr. Chu, is you have cited China Lake in some of the examples of a demonstration project that has been used as a model for this. Is that correct?

Dr. CHU. Yes, sir.

Mr. REYES. Do you know what the composition of that work force in China Lake is in terms of the number of minorities employed there?

Dr. CHU. Not off the top of my head; no, sir.

Mr. REYES. Let me tell you what it is. There are a total number of 3,090 civilian employees, of which 391 are minorities. There are 120 Hispanics, 75 blacks, 157 Asian-Pacific and 39 Native Americans, which is about 10 percent of the work force.

The point I want to make is that if that is a model that you are using on the basis of patterning all this discretionary authority for the Secretary, it is a great concern to me personally.

And it is a great concern to me personally from two different perspectives. The first one is, as a member of the Intelligence Committee, let me first tell you that in the intelligence arena, minorities are greatly unrepresented in the work force, even though we have shown, as a result of 9/11, that had we had more diversity in the capabilities of this country to deal with diversity and understand different cultures, understand different language capabilities, we might have had more success in preventing the attack of 9/11.

So that is a very real concern to me as a member of the intelligence community. They have been left largely to their own priorities, to their own system, to their own flexibility to do the hiring. And the results are very dismal representation of minorities in the intelligence community.

The second concern to me, personally, is that I think, Mr. Chairman, I am the only member of this committee that has spent 26 and a half years as a civil servant before coming to Congress, including at every level, because I worked my way up through the Border Patrol from an agent to a chief. So I have been at every single level, including a first-line supervisor, and have seen the civil service at work.

I understand and know the workings of a performance work plan. I understand the goals. I understand when there is a performance-based ability by management to be able to recognize that.

And I can tell you the civil service system is a hell of a lot better system than what is presented here in this package from a minority perspective.

The chairman is back, and I want to thank him for always introducing me as the greatest Border Patrol chief that he has ever met. Well, let me tell you and tell the chairman that if it hadn't of been for the civil service protections, that career would have never materialized, because in 1969, after serving my country in Vietnam, I applied for the Border Patrol, passed all the tests, was accepted, and was one of a couple of Hispanics in that class. And I will tell you, in 1969 in Del Rio, Texas, trying to survive in a redneck environment in the United States Border Patrol is something that I will tell you I will never forget.

But if it had not been for civil service protections, I can assure I would have never made it through probation; I would have never had the ability to prove myself, work myself through the agency to become a chief, where I administered two very large sectors. When I retired, I had authority over 1,000 civil service employees.

And yes, I will tell you there are times when you get a bad employee, but you deal with them. I would rather deal with one or a dozen bad employees than have the possibility that my granddaughter or the chairman's grandchildren would suffer at the hands of somebody that arbitrarily and capriciously can say, "Well, you know what, you are not just not a clear thinker in my opinion. You are not of a clear mind."

And I reference the many documents here where we are trying to promote an environment where everybody thinks alike. Well, not everybody thinks alike. I think diversity is the strength of this country. And we shouldn't be promoting a work environment or a work force that all thinks alike, looks alike and acts alike. We are better than that, and I am very much concerned about the proposal

that we have here that would severely restrict and, I think, hurt even more than China Lake represents minority participation in the work force and in the ability of this country to function.

And in closing, what you said on Tuesday, Dr. Chu, that what is wrong with our civilian employees is that they have been laboring under a system of management that stunts opportunity, that minimizes rewards, and provides little incentive for risk-taking. Dr. Chu, as a chief, I took it upon myself to run the risk of changing the way we conduct operations on the southern border. It was tremendously successful. You can ask the chairman right here, who often cites that.

But I will tell you, without the protections of civil service, I would have been fired by the commissioner. In fact, I would have been fired by the commissioner for supporting the chairman in his effort to put up a system of fences in Southern California.

So this is one member that is from Texas and understands that old phrase that this dog doesn't hunt. And it doesn't hunt for me, and it doesn't hunt for minorities that are already severely under-represented and will continue to suffer those under-representations, I would submit, under the system that allows one person to hire everybody that is of the same thinking.

So with that, Mr. Chairman, I yield back my time. I don't have any questions.

The CHAIRMAN [presiding]. And let me just say, Mr. Chu, before you respond there, that you have just heard from arguably the greatest Border Patrol chief in history. [Laughter.]

And, in my mind, he is, because he is a guy who, on his own initiative, took the Border Patrol to, of all places, the border in El Paso, and then placed his people and told them to stop illegal immigration. And he had enormous pushback from the community. And the bureaucrats in Washington wanted to fire him. And overnight, in fact, the merchants in El Paso were angry at him until overnight the auto theft rate went down 50 percent. And before the bureaucracy could fire him, they wanted—he is like the sergeant that took the hill without orders. They wanted to court-martial him, and then they noticed everybody applauding. They decided to give him a Bronze Star instead.

And he is a guy with great courage, great initiative. And for that I am going to buy him a Coca-Cola at the bar here when I see him afterwards.

But he has made a good point, and I think it is a point that needs to be addressed. And that is that, once again, this is a system which is based on the American ideal of fairness. And we want to make in merit and hard work and reward for those aspects of the American character. And we want to make sure that what emerges remains embedded in that bedrock. And it is going to be important to have that, and that goes back to Mr. Spratt's statement that he couldn't see a linkage between the stated requirements of meritorious advancement and the discretion that is given to the Secretary. We want to make sure that the product that we produce manifests those characteristics of this system.

And so I think of all the issues that you have to address, and I think you have addressed a number of them today, that I think

is the most important. So, please strap that one on, because certainly the committee is going to strap that on.

Dr. CHU. Absolutely, sir, and we agree with you. I can see why Congressman Reyes was such an outstanding chief. It is exactly that spirit of innovation we want to reward.

The CHAIRMAN. Actually, he was a better helicopter crew chief than he was a Border Patrol chief. He was a great, great helicopter crew chief, also.

Dr. CHU. Let me, if I may, Mr. Reyes, come back to your underlying concern, and that is what is the prospect for minorities.

We are committed in this Department to improving the prospects of minorities. I think the low percentages you see of minorities in laboratories generally—it is not by any means exclusive to China Lake, but it reflects the fraction of minorities who succeed in getting a college degree. That is really where those percentages derive from.

We are dedicated in this Department to seeing more people get those degrees. That is why we have the kind of continuing education programs we have for our uniformed force, as you know.

It is one of the things you want to do in this statute. Present law, present law precludes us from taking someone who is in one job and saying, "You are a promising individual; I would like to get you trained for an ever better job."

We can train someone who is in the better job, ironically, to do that job. We can't take someone else who is in a different job and pay the cost of sending him or her to school to get that better job. And that is one of the things we would like to do.

I would stake, as an earnest of our good faith on the minority issue specifically, the record of this Department over the last 30 years in the treatment and advancement of minorities in the uniformed forces of the United States. As evidence of that, given the leeway to proceed, we do know how to make opportunities for minorities happen.

I think we are a model for the nation, we still have things we would like further to improve, and we are dedicated to those improvements.

Mr. REYES. Mr. Chairman, if I can respond, if that is the case for the last 30 years, then why do you want to change it? Question number one.

Number two, the Department of Defense figures, and I can tell you, as the former chair of the Congressional Hispanic Caucus, are as dismal as any other in federal service. Those are concerns to us, and concerns to other minorities who I hear from.

And let me also—while I am remembering—when you talked about discontent among the work force, that people were complaining that there wasn't monetary recognition for the work, I know, I have heard some of those complaints. But, ironically enough, Mr. Chairman, the complaints were after the announcement of the political bonuses that were given by the Administration at the end of the last budget cycle.

Those are the only complaints that I heard from the federal work force in context to the monetary rewards for their work.

Dr. CHU. First, Mr. Reyes, we don't give bonuses to political appointees in the Department of Defense. That is not done in this Department. It is prohibited by our Deputy Secretary of Defense.

Second, the record I am reciting to you is our record on military personnel, where we do have the kind of latitude that we are seeking for our civil personnel. I think if you give us that latitude, you are going to see a better record for minorities in this Department.

Mr. ABERCROMBIE. Would the gentleman yield?

The CHAIRMAN. Dr. Chu, could you elaborate? Because I think there is some difference of opinion on who you give bonuses to, who are eligible for bonuses right now and who are not.

Dr. CHU. In the Department of Defense, by direction of the Deputy Secretary, political appointees cannot get a bonus. It is only the career civil service.

The CHAIRMAN. And they have received no bonuses pursuant to that?

Secretary ALDRIDGE. If they did, I would be disappointed. I didn't get mine, either.

Mr. REYES. Well, that wasn't the point. The point was that I wanted to address the fact that civil servants were complaining about political bonuses and not about their own system. Because, believe me, as a former civil servant, we understand our ability to be able to survive from one administration to another and be able to prevail under, often times, a work environment that otherwise would be very—not just unfriendly, but would be brutal in terms of termination.

Mr. ABERCROMBIE. Would the gentlemen yield?

Mr. REYES. Yes, I will yield.

Mr. ABERCROMBIE. Maybe there is some confusion here. This bill allows you to give bonuses to so-called experts, attracting highly qualified experts.

In fact, maybe you can tell us, you can not only give bonuses you can then go into additional payments. And the total amount of the additional payments to the employee under this section, Section 9904, for any 12-month period may not exceed the payments in the following amounts.

And maybe you can tell me what it would be this year. Supposing you had one of these experts at a \$100,000, "\$50,000 in fiscal year 2004, which may be adjusted annually thereafter by the Secretary with a percentage increase equal to 0.5 percent point less than the percentage by which the Employment Cost Index, published quarterly by the Bureau of Labor Statistics, with a base quarter of the year before the preceding calendar year exceeds the Employment Cost Index for the base quarter year of the second year before the preceding calendar year."

Could you tell me what that would be this year?

The CHAIRMAN. Mr. Abercrombie—

Mr. ABERCROMBIE. No, this is—

The CHAIRMAN. Well, that is fine, Mr. Abercrombie. Let me just state that, I want to clear up a confusion here.

Mr. Reyes made a statement about having a complaint from workers about what he called a political bonus. Mr. Chu thought he was referring to bonuses for political appointees, and pointed out that the present practice is no political appointees have re-

ceived bonuses, so therefore there couldn't have been complaints about appointments about bonuses to political appointees.

Now, I think that is unchallenged. Now, having said that, Mr. Abercrombie has this new line of questioning, and feel free to respond to that.

But I think it is clear—and if somebody has additional information I would like to know it—but political appointees do not at this point have the right to receive bonuses under the law. Now, is that absolutely the case?

Mr. ABERCROMBIE. It is the reason I asked the question, Mr. Chairman.

The CHAIRMAN. Well, I understand. You are talking about the proposal.

Mr. ABERCROMBIE. The document proposes to change that to allow you to give not only to get these political appointees, which will not be subject to any kind of scrutiny by this committee, but you propose to be able to pay them, to pay them bonuses and to make additional payments to them under this, which again will not be under scrutiny. Isn't that correct?

Dr. CHU. No, sir.

This bill is not about political appointees. As I testified, political appointees cannot now and have not in the past, to my knowledge at least, certainly under this administration, been paid bonuses in the Department of Defense.

The language you cite is part of an effort in this statute to clear up the question of how we treat experts who are hired from the civil sector; for example, a forensic pathologist to testify on trial. Something like that.

We would like to discriminate between those who are federal employees, government employees whom we are calling in this bill highly qualified experts, and those who are merely being hired essentially on a one-time, rifle-shot basis for a specific task, who we call expert consultants. They would not be considered full employees. They would be subject to the ethics act, they would be subject to the Conflict of Interests Act.

Mr. ABERCROMBIE. And they would be subject to political appointments.

Dr. CHU. No, sir, that is not what this is about.

Mr. ABERCROMBIE. You know, I understand what you are trying to do, and I am trying to be respectful and I want to be respectful for the work done in this. And I am going to say in advance, Mr. Chairman, that I will take that the intentions here are honorable.

But, precisely because of the way this is worded this is all political. I don't use political in the bad sense of the term. Listen, Mr. Rumsfeld's going to have Mr. Perle there, he is not going to have somebody he doesn't want to have there. It is political.

That is okay if you want to do it, but say what you are going to do. You want to be able to pay these folks, you want to be able to give them bonuses, and you want to be able to give them additional payments. As of right now, you can't do that. Is that or is that not the case with this bill, that you will now be able to do that?

I am not going to argue with you about whether I like who you appoint or don't appoint. But don't tell me it is not political; everything is political.

Dr. CHU. Sir, I would beg to point out that the language in question is language similar, if not identical, to that language this committee has already given to the Defense Advanced Research Projects Agency. It is so we can hire the nation's scientists to ensure that the departments of the future have the performance the country needs. It is not about political appointees.

Mr. ABERCROMBIE. Dr. Chu, I am not arguing whether this is a good idea. So you are saying that this, in fact, allows you to do what you are able to do in a specific instance elsewhere, you will now be able to do in general.

Is that the reason? That is a good reason. Is it the reason?

Dr. CHU. That is exactly what—

Mr. ABERCROMBIE. See, that is all you had to say. But the point is.

Dr. CHU. It has nothing to do with political appointees, sir.

Mr. ABERCROMBIE. I beg your pardon?

The CHAIRMAN. I think there is, now, Mr. Abercrombie, an honest confusion here, and I want to clear it up.

There is a class of employees who are known as political appointees that each administration brings aboard when they put their team together when they come into office.

Secretary Aldridge, you are considered to be in that class, is that not true?

Secretary ALDRIDGE. That is correct.

The CHAIRMAN. Okay, you cannot under the law right now receive a bonus, is that right?

Dr. CHU. If I may, sir, he cannot under directive of the Department of Defense. The law actually is more generous than that.

Secretary ALDRIDGE. Right, in the Department of Defense we are denied bonuses.

The CHAIRMAN. Okay, will you be able to receive one, or would your successor be able to receive one under the new proposal?

Secretary ALDRIDGE. No, sir.

The CHAIRMAN. Okay, so there is a distinction between describing bonuses as being given politically, which is the question that has come up, is that do you want everything that we want to have accomplished here based on a system of merit, as opposed to the question of whether or not a distinct class of employees that is known as political appointees can receive bonuses.

And I just want to make this clear: it is the understanding of the committee that political appointees, that is people in Mr. Aldridge's position, for example, cannot now under DOD directive receive bonuses, and they will not be able to receive bonuses under the new proposal?

Dr. CHU. That is correct, sir.

Mr. ABERCROMBIE. Mr. Chairman—

The CHAIRMAN. Okay, go ahead.

Mr. ABERCROMBIE [continuing]. I realize you have to move on here, but then somebody is going to have to tell me the difference then between an appointee such as you describe and a highly qualified expert in needed occupations as determined by the Secretary.

There is nothing political in finding a highly qualified expert in a needed occupation as determined by the Secretary.

Dr. CHU. We hope not.

Mr. ABERCROMBIE. Oh, okay.

The CHAIRMAN. Well, why don't you give an example, Mr. Chu?

Mr. ABERCROMBIE. No, that is fine. I have been a legislator now, next year, for 30 years, and I know the difference between legislation that hopes and legislation that does.

The CHAIRMAN. Mr. Reyes was asking the last question, and then yielded to Mr. Abercrombie.

Mr. Reyes, any follow-ups for the greatest Border Patrol chief in history?

Mr. REYES. No, Chairman. Thank you for your indulgence, Mr. Chairman.

The CHAIRMAN. Okay. I thank the gentlemen.

The ranking member has some follow-up here.

Mr. SKELTON. I have just one question, Dr. Chu. Would you be kind enough to point out the section in the proposed legislation that does protect minority rights?

Dr. CHU. Yes, sir. If I may, if you go to the very front of the legislation, you can find a general list, as I indicated earlier in response to Mr. Spratt's question, of things that the Secretary or the system cannot waive, modify or otherwise affect.

And among those are—go down to Subsection (c), Subsection small numeral 2—"Any provision of law implementing any individual referred to in the section cited by providing for equal employment opportunity through affirmative action," and so on.

Mr. SKELTON. Thank you very much.

The CHAIRMAN. Okay, the gentleman from South Carolina, Mr. Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you very much, Mr. Chairman.

And thank you both for being here today. It has been very helpful to me. And I, in particular, appreciate, after Secretary Wolfowitz and General Myers departed, that you have been very clear, both of you, in regard to providing responses to members of the committee.

And, in particular, Secretary Aldridge, I am interested in Sections 204 and 205 in regard to the Buy American Act, potential waivers and exceptions and clarifications to the Berry Amendment. And, of course, a concern that I have, coming from South Carolina, is the textile implications of this.

And I know there are references to textiles, but frequently what is stated in terms of protecting the remnants of the textile industry that we have actually has a double meaning that doesn't have the practical effect.

And so what I would like to know is what would be the practical effect on the acquisition process to the textile industry in the United States?

Secretary ALDRIDGE. Well, I think there are some positive aspects of this that, as you know, this Buy America, the Berry Amendment, is detrimental to small businesses.

We had one situation where a small business itself identified a problem with goat hair in one of the uniform jackets, and turned themselves in, but they could not validate that this goat hair was all domestic.

The result of that particular process was that we stopped payments to the small business, waiting until we got a clarification whether or not we could expect to give them the particular contract, and they almost went bankrupt.

And what we are trying to do here is to get some kind of a de minimis relief of the Berry Amendment that says in some cases we don't know if there is some small degree of foreign content in some particular area, textiles being a good example of it, food being another one, medical bandages being another. And we think that this is trying to be too restrictive to the point where if by enforcing Berry we have to turn to areas, in fact it makes it easier to buy non-U.S. products in some cases because of this particular limitation.

So give us a little more flexibility is what we are asking for in the Berry Amendment to permit us to essentially be able to take better use of commercial activity; like, for example, the Department of Defense cannot use bandages and medical supplies available in the commercial sector for the Department of Defense because we are not sure about the content of certain of the materials.

For example, we cannot buy out-of-season fruits and vegetables for our troops because out of season, we have to buy them offshore and we cannot do that.

So there are some reasonable things we ought to be able to do here, still protecting the directive and the intention of the Berry Amendment, but give the Department a little more flexibility that, in fact, helps our small business rather than harm them.

And that is basically what we are trying to do here.

Mr. WILSON OF SOUTH CAROLINA. This has special meaning to me, because this past weekend I had the opportunity to go to the SEAMS conference at Myrtle Beach, which was of small businesses and also representatives of large textile manufacturing companies. And this is what they were concerned about. And so I am going to be relaying this to them.

But I have a real appreciation, more than ever now, that we need to have a domestic textile industry, because allies that we thought were reliable seem to be not so reliable.

I know that something that really impressed me through the meetings that we have had here is to see the upgrade in regard to the lightweight chemical and biological protective equipment, the mission-oriented protective posture (MOPP) gear has just been terrific. The changes have been made. And ironically, I met the manufacturer from Tennessee who was providing this. And so it is just so crucial. And I appreciate you all, truly, following through on this.

Mr. TAYLOR. Would the gentleman yield?

Mr. WILSON OF SOUTH CAROLINA. Sure.

Mr. TAYLOR. I would encourage my colleague from South Carolina to take a look at page 71. And amongst the blanket waivers that are granted to the Secretary, if you look down about line 12, one of the blanket waivers the Secretary can have is "significant cost savings for purchases of the Department of Defense supplies can be achieved."

Now, if you have walked into a Wal-Mart, you have noticed that most of the garments there aren't made in South Carolina. They

are made in China because there are significant cost savings. If a future Secretary of Defense or this Secretary of Defense decided that he wanted to do that, your South Carolina equipment manufacturers are out of luck.

I would also remind you, again, if you will turn to the following page, that even if you came back the following session under this bill and tried to address that, you can't because under D on line four, construction with respect to later enacted laws, "this section may not be construed as being inapplicable to a domestic source requirement or a domestic content requirement contained in a law enacted after the enactment of this section solely on the basis of the later enactment."

I would hope you would also pass that on to your garment manufacturers because I am sure that will give them a great deal of confidence that at no time in the future would a future Secretary or this Secretary send that product offshore. It ought to give you great heartburn that if he does, there is absolutely nothing that you, as an elected Member of Congress can do about it.

The CHAIRMAN. Let the chair just tell both gentlemen and the witnesses that one initiative that we are undertaking in the bill this year is it reflects the fact that at last glance the average American worker, including our military folks, pays about \$1,000 a year out of their paycheck in taxes for the defense function of government, and that that means the defense function of the free world, as we have seen in this recent operation.

And I think there is an equity that arises from that fact that, while Americans pay for the defense of the free world, they should be able to build it. And that is the basic philosophy manifest in the Berry Amendment.

And just let you know that we are strengthening that rule in a number of areas, both in the specific and in the general in this bill. And that when we finish working our will with this bill that you will probably have, although the Secretary has pointed out some exceptions in some places where, in theory, the Berry Amendment has actually hurt onshore producers in a few very limited, very unique situations, there are other situations where clearly large amounts of business would have gone offshore if the Berry Amendment hadn't been in place.

And at least my feeling is that and my position is that this bill should reflect strengthened Buy American provisions, rather than provisions that have been weakened or watered down in any way.

So I am just giving you a little forewarning that when this bill emerges, it will probably have some very strong Buy American provisions in the general and in the specific.

And so I wanted to let my friend from Mississippi know that, and my friend from South Carolina.

Mr. TAYLOR. Mr. Chairman, I neglected to thank the gentleman from South Carolina for yielding, and I do so now.

The CHAIRMAN. And go on ahead, you still have the floor.

Mr. WILSON OF SOUTH CAROLINA. And, Mr. Chairman, one final question: I was quite familiar with the controversy that the congressman from Mississippi identified about the berets. How would the change in the law being proposed have affected how that controversy was ultimately resolved, which was buy American?

Secretary ALDRIDGE. I don't think it would have changed at all because what we are talking about, in that particular instance was a unique requirement established by the Army to have berets delivered at a specific rate, at a specific time. The Defense Logistics Agency, which had the responsibility for acquiring those for the Army, went back to the Army and said, "I don't think we can have a domestic supplier meet your requirement." And the Army refused to back off from the requirement.

And unfortunately, that was a mistake at the time. They should have looked for some domestic.

But because they demanded the berets to be delivered at that rate, they had to go offshore, because there was no way to do it. And now we know that was a terrible mistake. We shouldn't have done it that way.

But in this particular case, where domestic people are now providing berets, if a small business doesn't have the technical depth or the accounting standards to know that there is some small foreign content in a leather strap in the beret, we can't buy from them either. And it is impossible for us to try to force these smaller companies. For a de minimis effect on some small degree of foreign contact, we should not be penalizing him for that purpose. And that is what we are trying to get relief.

And, Mr. Chairman, there are a lot of misunderstandings about the language in the Berry Amendment that need to be clarified. And we will certainly work with you to understand those and ensure we are providing consistent application. Because of those misunderstandings, there could be different levels of interpretation. And we need to make sure that happens.

Certainly, the intent is to build and maintain a very strong industrial base in this country.

The CHAIRMAN. Yes. And you know, you mentioned one thing and that is the inability of some businesses now in some sectors to provide sometimes a critical component in the defense sector. And it is the intent of the committee to provide some funds which can be used, so that when the answer comes back, "It is not executable in the U.S.," the response can be, "We are going to make it executable in the U.S. and we are going to tool somebody up to be able to do it." And I think that will eliminate some of the problems that we have.

And, of course, we have this tracing problem across the board. We have the same thing with titanium right now in the proposed tanker lease deal. But we can't have the answer to that problem being a diminishing American content in those systems.

I know you will work with us on that.

Secretary ALDRIDGE. Yes, sir.

The CHAIRMAN. So we will be paying a lot of attention to that, I can assure the gentleman.

Mr. WILSON OF SOUTH CAROLINA. And thank you very.

And, again, thank you, Mr. Chairman, for your personal interest in this, too. Thank you.

The CHAIRMAN. I thank the gentleman.

And Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

First, Mr. Chairman, if I might, being from Arkansas, I need to correct my good friend from Texas when he talked about, referring to the bill, that "This dog doesn't hunt." That is grammatically incorrect. It is, "This dog don't hunt." [Laughter.]

Also, Mr. Chairman, I thank you for holding this hearing today. I think the discussion has been a good one, but I am one of those that this was a last-minute thing. I have a previously scheduled important meeting to meet at noon. I mean, our subcommittee chairs, who are very diligent folks have, obviously, had conflicts.

We just can't do the kind of hearing process we want to do and somehow cram it all in into a Thursday and a Friday and say, "We have had a fair hearing."

I do appreciate you having this one and I appreciate the men being here today.

Also, Mr. Chairman, in response to Congresswoman Davis a while ago, you pointed out that the discretion that we are giving is being given to the man that held 250,000 troops in his hand and won the war in Iraq. I am going to resist the temptation to point out that this discretion is not being given to General Franks, but is being given to the Secretary of Defense. But, in fact, it is all secretary of defenses, not just the current one. And that is one of the concerns. This is a statutory change that, once it is given, is very difficult to give away.

Also, Dr. Chu, my good friend Mr. Reyes, here talked about civil service policies as relate to minorities. I know it is a big concern to you, and the military has always been a door-opener, as has civil service.

But I mean, in this committee, we have our work to do. We have 37 what we call professional staff for the Armed Services Committee dealing with the military of the United States. How many Hispanics? Zero. How many African-Americans? Two. We have one Hawaiian and, I believe, one Asian-American. Not a great record for the people's house in dealing with the military.

So this is a concern that all of us have to have. And, you know, obviously, we are a political body and people serve at a pleasure. They are not a civil service, but that is an issue.

Chairman Hunter began this hearing by talking about fundamental change. And I agree with that. I think your proposal is a fundamental change and we have had that discussion before. And you pointed out that you are not a lawyer, Dr. Chu, which a lot of people think to your benefit. [Laughter.]

But these are fundamental statutory changes. And what Mr. Skelton pointed out from law school, this is about drafting words and words have meaning and they can either help you or kill you down the line.

And that is why it is so, I guess, aggravating or disappointing to a lot of members that somehow this has come on so fast that we can read the words, but that is not the same as these words being out there floated amongst the public, press writing about it, bringing in retirees, bringing in people from across the country. We just are not having the kind of discussions that we need.

I know you have had an entertaining week, Dr. Chu. But there are three ways, you know, I am disappointed. I am disappointed that what this committee is doing in terms of, at least at this point,

making the decision to push ahead with this in the defense bill. But also, you had sent, some time ago a letter dated April 10th that I received April 18th. I knew I was in trouble because it says, "The Summative Evaluation 2002," and I never had seen the word "summative" before. [Laughter.]

So it was downhill after that because this was for this report.

But you talk about, "These recommendations build on two decades of defense experience using the authorities Congress granted for a portion of our work force." And then you talk about, "Over the last year, we have worked to distill the best practices of that experience."

I think it was both Mr. Skelton and Mr. Spratt pointed out, you know, you are talking about putting together a proposal that you drew on the experiences over two decades over the past year and yet, we got it, I think, the day before we left here, that Friday and a Saturday. I heard about it the first of the week.

I mean, you took decades and a year; the people's house has to have some kind of more deliberative process. And I find that disappointing.

And it is also hard for me to believe that, given what has been going on in the last six or eight months, that our high-ranking military officers and non-commissioned officers have had the time to really digest this. They have been preparing for or been in war. And I just don't think that they have had time, for example, to review in any meaningful manner the general officer provisions that we are going to talk about tomorrow.

And then my third disappointment, Dr. Chu, is we had a private meeting a group—it was the Democrats—you were going around and meeting—Mr. Spratt was there and some others; Mr. Geren was there. And as Congresswoman Davis pointed out, we were talking about concepts. There was no paper given to us, no proposal. But I left that meeting, I thought, with assurances that this was going to be a deliberative and thoughtful process; that, in fact, I brought up the point, you know, well, there are two ways of doing things here. We can do things and get a, you know, 220 to 215 vote. Or we can do things in which we reach consensus and work through problems and dealing with the national defense of the country, as best we can, we come out with overwhelming majorities.

And you or Mr. Geren pointed out that was your goal.

Well, then we turn around and this thing just comes crashing down the day before we are gone for two weeks. And that is very disappointing.

I understand you have made some comments that Mr. Rumsfeld is an impatient man, and he wanted to move ahead with this. But I would hope that you would point out to Secretary Rumsfeld that I think some assurances were given that this was, indeed, going to be a deliberative process. And if you had put us on notice, "By the way, this thing is going to greased and slid and put in the railroad and you had better be ready by markup," I think our attitude would have different in terms of evaluating this.

With regard to the GAO, you know, I guess we are going to have a second panel later on with the GAO, which is unfortunate be-

cause I think the concerns are legitimate. But it is just a reminder that it is not just members of this committee that have concerns.

I have tried to look through this report last night. And frankly, I don't envy you your work because it sometimes gobbles me to death. But I could read through that that there were great concerns with the rapidity with which this is going.

The last thing I would say is this: This may well be carried along in the defense bill, but my guess is that there will be some attempts at amendments and we will have some piecemeal effort to try, in a short time, to clean it up.

But what we will do is—if the bulk of this proposal is included in the defense bill, we will do what we often do: We will depend on the Senate, on Senator Warner and Senator Levin, to try to sort through this. And I think that is an unfortunate thing for the people's body to do and for this committee to do.

So I don't really have any questions, but we get our five minutes and those are my concerns.

And I appreciate your service, but I am disappointed in how this has gone and disappointed in the assurances that I thought we had that this was going to be a thoughtful and deliberative process.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And I would just remind the gentleman that the fact that we ask questions as to what the legal construct of provisions in this bill is; the fact that we have questions or we are not sure, in Mr. Spratt's instance, of whether the Secretary's permissions are legally constrained by the statements of merit requirements in other parts of the bill; the fact that members of the committee have questions on that doesn't mean that there is an absence of legal opinion on that and that the bill was not drafted by counsel.

So let's give a fair shot to counsel to give us the legal connection, at least in that instance and any other instance that is brought up by any member of the committee who has a question and says, "I don't know if provision A is related to provision C." And I don't know if, in this case, if, for example, nepotism is prohibited under this proposal as it has been in the past in civil service.

Let's give the Administration a chance to come back and answer that before we conclude that our interpretation is the same as counsel's interpretation.

And so, I appreciate the gentleman's concerns, but I think we should spend more time actually going over the substantive issues in this proposal, rather than bemoaning the fact that we don't have a lot of time to go over substantive issues, because, again, we put together a \$400 billion bill each year in what really is a relatively short period of time.

And so we are going to give as much attention to this, in that we are going to answer every single legal question that a member has about this provision so that every vote on this is done by someone who feels they are adequately informed. And we are going to make sure that that occurs.

Dr. SNYDER. Mr. Chairman, may I respond?

The CHAIRMAN. Certainly.

Dr. SNYDER. Well, with all due respect, Mr. Chairman, that dog don't hunt, in my opinion, because it is not just about a member

having a private briefing about legal language, it is having a process over several months or even several year's time where, in your words, fundamental changes have an opportunity to be discussed, not just with Members of Congress, but with the American people, with reporters, with people back home, with retiree groups, with civil service folks from around the country.

The good ideas in this country don't just come from the lawyers of the Pentagon and members of the House and Senate. They come from all over the country.

But the rapidity with which this is being done is going to lead to problems down the line when we don't have the opportunity to fully get this reviewed.

But I appreciate your holding this hearing today and I look forward to the one tomorrow. And I will be here tomorrow.

The CHAIRMAN. Okay. And I would just remind my friend, also, that we shouldn't belittle the nine pilot projects that have been undertaken over a fairly extensive period of time.

And last, I would tell my friend I was reminded by the staff director that he is Hispanic, and that he is, indeed, the staff director, the last time he checked.

And so, Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman.

And thank you, Mr. Aldridge and Dr. Chu, for being here.

I am like all my colleagues who have so many questions. This is, indeed, a pretty sweeping bill. I am excited about the prospect of doing something that will allow our troops to train without undue restraints imposed by various environmental restrictions. I am looking forward to working on that.

I have always been excited about the prospect of speeding up, streamlining the acquisition process. And I hope we are going to be able to do that.

I share the concerns expressed by my colleagues from Mississippi and South Carolina and the chairman about buying American. We make some very fine boots in a place called Red Wing, Minnesota. And they are built with leather that is, in fact, tanned and produced there, and I would like to make sure that we are paying attention to that aspect of the acquisition process.

We have talked a great deal about civilian personnel. I wonder if we could just take a minute to talk about uniformed personnel for a minute. The distinguished minority leader raised a question. I didn't really understand the question because he was asking fundamentally why a Marine colonel couldn't do everything that general officers and flag officers in the other services could do. And that is apparent to me why a Marine colonel could do that.

But I wonder if you would address seriously his question for a minute. You have made a distinction in the services as to who could be the service chief. What was the rationale for that?

Dr. CHU. I think what you are seeing are really historic parameters being reiterated. The modern practice has been that the chief of each service is a four-star officer. In that capacity, as law requires, each such nominee must come before the United States Senate for its advice and consent to the president's nomination.

With due respect to the Marine Corps, I don't want to hold up too much hope here for the Marine Corps 0-6 group, but there is really no intent to change that practice.

Mr. KLINE. It just seems to me strange that if you are rewriting the language, that you would put that in there. I have great confidence in Marine colonels, as I am sure you would imagine, but it does seem strange that that language is in there.

On perhaps a more troubling note to me is you have language in here—oh, it goes back to it looks like around page 63 or so—and I am not interested exactly in the specifics, but in the notion that you have with the continuum of service that it appears to me that the intent is to move uniformed personnel from the Reserves to active duty and back again. And I understand that that might provide some flexibility.

I am concerned that you may be circumventing what ought to be another look at what the active force structure is. If there is a concern that we don't have the forces necessary in the active forces, those who have chosen to make a profession and to stay on active duty for 20 years or more, that we may need to look at what that structure is in active forces and not rely on going to the Reserves, on a voluntary basis or not, to pull them onto active duty to meet a shortcoming there.

Because in the end, certainly, Reserves have other jobs in most respects. And those other jobs may be a police officer or a fire officer or a business owner or a farmer or whatever. And I am worried about the impact of turning too often to the Reserves to meet what might be a force structure or end strength or average strength in your new language issue.

Can you talk about that for a minute?

Dr. CHU. Yes, sir. We want to be very careful about the same phenomenon you have identified: You don't want to go to the Reserves too frequently; you don't want to go to the Reserves improperly.

What we would like to do is to be sure that when it is appropriate to reserve forces, you can really shape their employment to the task at hand. So, let me give an example, if I may.

One of the provisions would reconstruct the current practice that we expect 38 days of service a year out of our Reserve personnel in terms of peacetime training. In the law, that is now 14 days annual training, one weekend a month. We would like some more flexibility.

Some of our adjutants general have told me they would much rather have a little longer summer training period, as people call it, at the expense, perhaps, of some of the weekend drills.

And so, we would like the restriction in the statute be 38 days; let us use the 38 days in a fashion that better prepares the reservists for whatever eventual duty the country is going to—

Mr. KLINE. Excuse me. May I interrupt for just a minute? My concern there would be that the adjutant general might prefer that, but the employer may not prefer that. And the system as it exists now, with the exception of a national emergency where we consciously call up Reserves, there is a work pattern that can be counted on. And by giving the Secretary and the Department this flexibility, you may be having an adverse impact on the rest of the

economy, the civilian work force side of this, the uniformed soldier when they are not wearing their uniform.

So, I am concerned about that and I am looking at it and I don't expect you to answer that now, but it is of some concern to me. And I am going to be looking pretty closely at that language.

And in the interest of my continuing efforts to set the example for my colleagues, I yield back.

The CHAIRMAN. Well, I noticed that your ears perked up when they talked about the colonel in the Marines being eligible to be Chairman of the Joint Chiefs.

Mr. KLINE. It did.

The CHAIRMAN. Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman.

I was looking forward to today's testimony. And hearing and having read the comments and reading parts of the bill and I am going to go over far beyond one may say neophyte or elementary comments of the fact that all I have been hearing is the mean, agile, most equipped, most qualified military in the world.

During our last activities, need it be Afghanistan or Iraq, there was no mention on any of the cable shows or any of the comments that I have heard come out of the DOD, any of the briefings as it relates to we would better if we could do this civil service reform.

I can also say that I want to raise my objections to putting this in the defense authorization bill and I am going to tell you the reason why. Not that I have been in the Congress more than four months, but I would say being in the state legislature, usually when I hear from a Secretary of a department or what have you on new piece of information or a legislation that has just been brought to the attention of the state legislature—I would add to Congress this time—when they want to put it into an overall bill, nine times out of ten they know that the legislation or the action could not stand by itself.

That brings about the question, "Are we doing the right thing about having this in the authorization bill?"

Let me just advance just a couple of weeks down the road. I had staff take a look at what we are talking about here. We are not talking about the Pentagon down the street, we are talking about a nation of workers—just under 700,000. So give or take, what have you—that are in every district, including mine, including the chairman's district, including many of the members on this committee.

And I am not prepared to go back to Florida with 15 military bases, outstanding individuals, the President is flying around, giving this speech everywhere there is a tank or an airplane on this land. We commend the Department, we commend every man and woman that has been involved in this process because, because of you, because of you.

Well, we are not sending the right message here. Basically, we are saying that we have a military overall, and not just picking a branch or what have you, that is the most outstanding military in the world.

I feel the individuals that we have in the military now—need it be sworn, unsworn or what have you, out of uniform—are good people.

But these are my concerns: One, we should not roll this in the authorization bill. You are going to have members on the floor saying, "I feel very uncomfortable about the civil service reform, but I can't vote against the authorization bill. What would they say back home, military preparedness, homeland security?"

I heard Secretary General Myers talk about the importance of facing the new challenges. Who wants to be on the other side of that argument if this civil service reform is so great?

The second thing I am concerned about, need it be Democrat or Republican, I am not ready to make the Department of Defense the good job grounds for this country. And I mean by that, Secretary of Defense is not elected; he is appointed by the President of the United States. How does the president get elected? Well, obviously, votes. What is going to happen to military bases when we change parties and we change presidents? There is a great job over at the base I wanted; the Secretary is not going to sign off on every job.

We are depending on people to carry out good will and you are telling us to trust you here. You are speaking on behalf of the Department. It is nothing personal against you two gentlemen, but I would say that that brings about great concern, because in our military and our national defense, now international defense as it relates to our friends and allies overseas, I am not ready to politicize the Department of Defense. I am also not ready for the Secretary, any Secretary, to fly around the world shaking hands with people and giving away American jobs on behalf of national defense.

Now, I am glad to hear the chairman speak of buy American, but I think it is very important that we start thinking about these individuals that are stretched across the country. And I must say, the men and women that did go into the theater, they have a spouse that may work in one of these jobs.

So, I would say that this is quite interesting and I can say that this almost builds a formula of a military over an elected government. Now, I am not trying to scare anyone in this room, but I am just talking about the realities of this bill.

And I think that we need to give great thought, not only in-depth educational hearings, but to put this into the Department of Defense authorization bill automatically, on the surface, gives us prima facie evidence that this legislation cannot stand by itself. We have to couple it with other priorities of Members of the Congress.

Mr. Chairman, I really don't feel at this particular time—and I am glad that we are having a hearing this afternoon and tomorrow, which I will stay for. And if we had a hearing on Saturday, I would be here; Sunday after church, I would be here. But I would tell you that if we feel that we need to do this right here, right now in the Department of Defense authorization bill, I think we should have a discussion.

Some of the points in this bill are outstanding. On the floor I voted for commending the troops and their families. There was language in that resolution that I disagree with. I have been voting on bills of language that I disagree with, but the underlying concept of the bill, I agreed with. And this is going to put Members in the same predicament and situation.

So, I think if we can have a stand-alone bill, I think that would be helpful for good deliberations. We will also have members voting when they are giving this blanket authorization—more than homeland security, I must add—a good opportunity to make a good decision.

So, I commend the work that both of you have done and the Department has done in looking into this issue over a period of years. Unfortunately the Congress hasn't had the same privilege. You are asking us to do this in a matter of days and hours.

Mr. Chairman, thank you so very much.

The CHAIRMAN. I thank the gentlemen.

Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

And first, before I begin, I am going to discuss something a little more on the buy America side. But I, too, want to join my colleagues in saying that I think that the proposals for the civilian and uniform work force should really be discussed separately and should be a stand-alone bill. Whatever we decide here is going to have far-reaching effects and I think we are all very aware of that, so I do support my colleagues in that.

I want to thank you, Secretary Aldridge and Dr. Chu, for appearing before our committee today and for the long hours you have been here.

I have a brief statement to make and then a question of Under Secretary Aldridge.

First let me say that I represent minorities, almost entirely. I represent the people of Guam. And the military has no greater friend than the people of Guam. They are proud Americans; proud of the job that our fighting men and women have done in Iraq.

And given that spirit of friendship, I was very surprised to see that your proposal before us today allows, in Section 432, for the repair of American ships in foreign ports on extended deployments. Your new proposal would mean that ships deployed in Asia would steam right past Guam—and Guam has a major ship repair facility—on their way to being serviced in Singapore or Korea or wherever they are going.

I hope that our chairman—and by what I hear today, he certainly is in support of Buy America—will act to ensure that Section 432 is not included in the fiscal year 2004 defense authorization bill.

And I want to thank the chairman for his interest in this and thank him for his leadership on this particular issue.

The CHAIRMAN. Ms. Bordallo, on that point, let me respond to you.

I have been an advocate for buying American and repairing American for a long time; for about 20 years. And it is always a conflict between the operational commanders who may need a quick repair and also may think they are getting a much lower price as a result of lower wage rates in other countries, and repairing in your district or in San Diego or Washington State or other places.

And I have come down on the side of keeping this very fragile part of our industrial base intact; that is, repairing America. And

that is one of the provisions that I think the committee will be addressing here, when we mark this legislation up.

Ms. BORDALLO. Thank you very, very much, Mr. Chairman. I truly appreciate that, and I know the people of Guam will, as well.

I also felt the need to examine your proposal very thoroughly and have come up with a question regarding one other proposal, and that has to do with the Marine Mammal Protection Act.

What I would like your clarification on is, why you chose five years as the time-span to examine whether the Navy's activities would have a negligible impact on marine mammals. Would it not be better to reduce this to an annual process? This would better reflect the annual breeding habits of marine mammals rather than an arbitrary five-year process.

You may say in response that an annual determination might be too burdensome, but given that you have just exempted the Department of Defense out of numerous reports to Congress, I think there is room enough for an annual requirement.

And furthermore, your statement in support of these changes said that the term "small numbers" is impossible to quantify. How would you quantify a negligible impact? Can you give the committee a numerical example of what is a negligible impact over a five-year period? And what would that be?

Secretary ALDRIDGE. Ms. Bordallo, let me respond to that with an answer. For the record, I am not the expert on the various environmental impacts. I think there is going to be a hearing tomorrow on this topic, and I just can't address that. But we will get you an answer for the record if you don't mind.

Ms. BORDALLO. Thank you. Thank you very much, Mr. Secretary, and thank you, Mr. Chairman.

The CHAIRMAN. Actually, Mr. Secretary, we are talking about military personnel tomorrow. We did have a visit by the naval leadership that is involved with the marine-mammal issue and the problem that we have with our submarine training and detection as a result of that.

And I can make sure that they engage with you, Ms. Bordallo.

Ms. BORDALLO. Thank you.

The CHAIRMAN. They have been over one time on the Hill to talk about that.

Secretary ALDRIDGE. Mr. Chairman, can I also respond on the issue of the ship overhaul? I know this is of high interest.

The purpose of that is that when we have these ships which are now being deployed overseas for 12 to 18 months and they go through a repair cycle. It is ridiculous for us to ship them all the way back home for the time it takes to get back and then turn around and put them back out to sea.

So what we are asking for here is a permission to do the routine maintenance of these ships in foreign ports and certainly Guam could be one of those. It is not just—it could be anywhere that is reasonable, rather than bringing them all the way back.

Now, there is some language in here; I would say it has people a little bit confused. We said something about routine repair and overhaul. We are prepared to drop that term "overhaul," because that was not what the intent was. It was really just the things that we need to do.

For example, we had a ship in Freemantle, Australia. We had to ship the ship repair crew all the way to Australia for them to repair the ship. That doesn't seem like a very good use of taxpayers' resources when certainly a friend of Australia like they are—good ally—could do that.

Ms. BORDALLO. Mr. Secretary, Guam is very close to Australia.

Secretary ALDRIDGE. And in that particular case, we probably should have taken it to Guam.

Ms. BORDALLO. I realize taking them 6,000 miles away to San Diego doesn't make a lot of sense, but Guam—

Secretary ALDRIDGE. I think the chairman—

Ms. BORDALLO [continuing]. We are out there.

Secretary ALDRIDGE [continuing]. Argue with that.

The CHAIRMAN. I think we need to amend this bill very strongly, at this point. [Laughter.]

Secretary ALDRIDGE. But that was the intent, is to give us permission to do so when it makes sense to do so. And that is what the argument and obviously the discussion will be about.

The CHAIRMAN. I thank the gentlelady.

And we will now ask my colleague from San Diego to offer the rebuttal.

Ms. Davis.

[Laughter.]

Ms. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman.

And thank you to both of you for being here and hanging out with us for the morning. I appreciate that.

I also wanted to state, as my colleagues have done, and actually I have really thoroughly enjoyed the questions that have come forward.

We are all, you know, trying to get up to speed quickly on this. And I appreciate the fact that you have been working with it over a period of time, but we haven't, as many people have stated. And I always believe in working with the communities that there is great benefit in bringing people along, and that is something that we are actually asking you to do with us, as well here today.

I see a lot of great things in what you are talking about. One of the issues that I have often asked our flag officers in San Diego, "Why didn't you stay longer?"

It seemed to me that there was kind of method to the madness, to move people along before they could make any changes. So I think there is a lot to commend here. But at the same time, I have a number of issues and maybe it is questioning some of the basic assumptions.

I know a number of my colleagues continue to bring up environmental issues, and this is one that we have had a number of hearings on. But one of the hearings that we had suggested as—every time I have asked the question—that the Navy has really never been denied when we talk about readiness issues and environmental issues; that they have never been denied a permit by the National Marine Fisheries.

And we also learned that the Secretary of the Interior has existing authority to waive portions of the Endangered Species Act (ESA) for national security reasons. We know that those laws are

in place and yet we are seeking to change the law, rather than living within the existing provisions.

And part of my question about what we're doing today, as well, and what we are going to be grappling with over the next number of weeks, I hope, is whether we have existing laws and whether the reason for not dealing with them is because it is inconvenient. It takes some people time to do that. And I think we need to be critical about the way we look at that.

You suggested that there are some areas, however, where you really don't have authority. One issue has been brought up about hiring people after they have retired. I know that as a school-board member, bringing back principals that have left the district is of great benefit to a school district. And, there are ways of doing that. Perhaps within the law, there are no ways of doing that.

But you have also mentioned best practices. You have also mentioned the fact that we have a number of demonstration projects. Have you been able to do that within demonstration projects? Have you been able to bring in people? And if so, then, in fact, do we need to change it? And, you know, what happened as a result of that?

I think one of the things that I am struggling with—and I understand a RAND report that was made, you know, explains some of these demonstration projects and the result of them; I would like to see that. That would be helpful. Perhaps that would be helpful to some of our colleagues.

And having a nexus between what was brought together in this project and how people responded within it.

The CHAIRMAN. Yes.

Mr. Chu, do we—

Ms. DAVIS OF CALIFORNIA. One of the things that—

The CHAIRMAN. If the gentlelady wants to spend—I think that is a great question.

Do you have a summary of the demonstration projects that we could produce for all the members that is not so voluminous that it is tough to get through, but at least goes over the cogent points and lessons learned?

Dr. CHU. Yes, sir. We have some materials and we are delighted to share them.

Ms. DAVIS OF CALIFORNIA. That would be helpful.

The CHAIRMAN. Okay. Could you make sure that the gentlelady gets it, and that all members receive them?

Ms. DAVIS OF CALIFORNIA. Thank you.

And, Mr. Chairman, I appreciate that.

You know, if it is voluminous, it is going to be difficult. What we need to know is, you know, what were the ideas, but I have looked at that. I mean that is a whole bunch of charts and stuff and I think it is helpful for us to know, you know, what did we want to fix?

What did we develop in the demonstration project to do that? And what were the results and how do you bring that to scale? I mean, we are not just talking about a small, you know, pilot program here that we are going to take city-wide.

I mean, you know, this is taking something nationally. And that is a whole different thing. And when we talk about transformation,

I mean, the basic thing that I always know is that we are talking about relationships and how people interact differently in this situation. And I think that we need to know that.

One of the other things you have brought up, and in fact, if you might just engage with me in a line of questioning here for a second. You know, we want to mirror this or develop this based on homeland security. How long has that been in place?

Dr. CHU. The Homeland Security Bill was passed last year.

Ms. DAVIS OF CALIFORNIA. And how long have we been operating in that situation?

Dr. CHU. The Department just stood up a couple of months ago.

Ms. DAVIS OF CALIFORNIA. A short time; what have we learned from that?

Dr. CHU. I think we have been in conversation with our colleagues in the Homeland Security. My sense is that they are very interested actually in our demonstration-project experience because that does, as you have pointed out, extend back over two decades; preclude China Lake in the data set. And we have had a sufficient variation of those demonstrations trying out a variety of ideas.

We are very pleased that after a transition period—and transition is always a little bumpy, although it has never been disastrous—that the employees typically are happier, sometimes substantially happier, than they were before.

And so I think we have the kind of longitudinal evidence that you are looking for that these ideas work. We have tried to distill over the last year or so—Mr. Aldridge and I are working together—what the best ideas are, which is hence the name best practices.

Ms. DAVIS OF CALIFORNIA. Thank you, Dr. Chu. What I would suggest is that we don't have some of that information.

Dr. CHU. We would be glad to show it to you.

Ms. DAVIS OF CALIFORNIA. And the reality is that the Department of Homeland Security has not been up and running for very long. And it hasn't interfaced with our local communities, and that is what is important. Because we are talking about people, we are talking about a whole different culture change. And we know that take times.

I am not opposed to changing the status quo, believe me, but I think that we need to understand how those changes affect the way people do their jobs. And we may not have some of that experience, some of it we may have. And that is great. I would like to see that; that would be very helpful to see.

I think the other quick question is, is it my understanding that in the homeland security bill, there is a five-year sunset?

Dr. CHU. Yes, I believe that is correct.

Ms. DAVIS OF CALIFORNIA. Can you tell me why, if I am correct, that we don't have a sunset in this bill on this proposal, and if not, why not?

Dr. CHU. Yes, ma'am. Delighted to.

First of all, the permanent change. One of the difficulties we found, and this is one of the lessons learned from demonstration projects is with the sunset provisions, you basically create a very short-term orientational part of the work force because one of the things they have to worry about is what are they going to go back to if you, indeed, allow the sun to set.

And that is, I think, destructive to some of the very kinds of innovations that are being talked about here.

You want people to be able to count on it for the long-term. This is what life is going to be like for some time to come.

If you have to transition back, you have to get started, as a matter of personal practice, on the transition back a year or two before the period ends. So, the problem with five years is you start the thing, it takes you a year or two to get it in place—it is a practical matter—and then, at year three, you have to begin the transition back to the old system. You really don't give it a fair test with a five-year in our judgment.

Ms. DAVIS OF CALIFORNIA. Why? Why do you think we have that in homeland security?

Dr. CHU. I don't know the answer to that question, ma'am.

Ms. DAVIS OF CALIFORNIA. Okay. Perhaps the Congress, its wisdom, was a little anxious about it; something that they didn't have a sense of.

I don't know, Mr. Chairman, I really don't recall that specifically.

But I thank you for your time. I think I would be, you know, very happy to speak to someone about what we learned from some of the key demonstration projects that we have. And more than that, if we can have some reflection on how it actually changed peoples' culture within their working environment.

Thank you.

Dr. CHU. We would be glad to provide that.

The CHAIRMAN. I think——

Ms. DAVIS OF CALIFORNIA. If I may, Mr. Chairman——

The CHAIRMAN [continuing]. Oh, ahead.

Ms. DAVIS OF CALIFORNIA [continuing]. Very, very quickly, I just wanted to also applaud my colleagues who spoke about buying American. Obviously, and with my calling in the chairman from San Diego, we are very concerned about that issue, very concerned about ship repair and how we look to our local entities for doing the outstanding work that they have been doing over the years. I don't think we want to send the wrong message to them.

Thank you, Mr. Chairman.

The CHAIRMAN. And I would say to my friend, on that point it is attractive to do work offshore not simply because of convenience, but because of cost. When you are looking at the amount of money you have in your budget and you can get ships repaired by folks making a buck a day, it saves money.

But there are things that we have found we could do over the years, for example, if a ship needs to be repaired, these availabilities come up on a monthly basis or a biannual basis. And if ship A is moving out from the United States to deployment, and it is due to be repaired in 45 days or 30 days, you move the availability ahead and you repair it while it is here.

And similarly if the availability or the schedule says that it should be repaired 30 days before you come back, you put that off and you repair it in the United States when you get there.

And so there are adjustments that we can make that I think accommodate the repair American, buy American, build American——

Secretary ALDRIDGE. It is just when the——

The CHAIRMAN [continuing]. buying requirements.

And sometimes in the past those requirements have been gamed, to some degree, by folks who understandably wanted to save money because they didn't have a lot of money and it was a lot cheaper to repair stuff in Singapore and other places.

Secretary ALDRIDGE. Well, I think we are going to this ship-swap concept of not having to have these ships out just six months and bring them home. They are out for a long period of time. And what we are looking at is what is the right way to do the routine repairs on these ships when they are gone for 12 to 18 months. And we rotate the crews to them; don't bring them all the way back.

And Australia is kind of a good example because it is such a long way away, but I think we can find a way to make this work without affecting the industrial base of this country in terms of the overhaul and major repairs.

The CHAIRMAN. And, Dr. Chu, on that point that Ms. Davis made, if you could, take, let's say, the seven or eight most important points of the package and then do a brief description or executive summary with respect to the pilot projects where they are relevant to those points.

So, for example, one area that you have talked about with respect to being able to quickly qualify federal workers for a position so you don't have to appoint a sergeant in the Army to that position because you can't move quickly with the federal worker, point out the pilot program where that was undertaken and the results of that.

And so we have a lessons-learned brief, if you will, with respect to those pilot programs. I think that would be helpful for Ms. Davis and for all of us.

Dr. CHU. We would be delighted to do that, sir. Thank you.

The CHAIRMAN. Okay.

Mr. MEEK. Mr. Chairman.

The CHAIRMAN. Yes.

Mr. Meek had a follow up.

Go ahead, sir.

Mr. MEEK. To the point—not to the Buy American—I appreciate the dialogue on that. Mr. Chairman, I must say that I forgot to share: Yesterday's Congressional Black Caucus, in our meeting, we spent 30 minutes on this topic with the civil service reform within DOD.

And as we started looking at the demonstration projects of lessons learned, if we could address the issue of the minority-employment issue, did it decrease in the demonstration projects? Did it increase in the demonstration projects?

I think that will help as we start moving the legislation towards the floor so that members feel comfortable about having good information on this.

And I would appreciate, Mr. Chairman, if you would have them add such information in the information they are going to provide as it relates to the demonstration projects.

The CHAIRMAN. Absolutely.

Dr. Chu, if we could strap that one on?

Dr. CHU. We would be delighted to, sir.

The CHAIRMAN. Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman. And thank you for the lengthy stay here in the committee.

I have a couple things. I want first to associate myself with the comments of Mr. Taylor regarding the Buy American and the industrial base. And I remember the last time that you were here, Mr. Secretary, I told you about a waiver that was granted. I believe it was to Pratt-Whitney. The waiver was filed on December 17. The waiver was granted on December 20. And not only granted in just three days, but it was granted retroactively back until 1995 of 1996.

The CHAIRMAN. You are talking about the titanium waivers?

Mr. RYAN. Yes, I am.

The CHAIRMAN. Okay.

Mr. RYAN. Yes.

And so when I look at the proposal and several of them that Mr. Taylor touched upon—one on page 71—it states that the waiver authority includes, but is not limited to, circumstances which—and then they list the following: One is, “it is necessary to promote standardization and interoperability of conventional defense equipment with allied and friendly governments.”

I think the concern for those of us there, aside from all of the Berry stuff and the Buy American stuff, is that friendly governments a few months ago would have been France and Germany and maybe even Russia. And now we are in the situation where we may actually provide waivers to establish relationships and for standardization in these other countries.

If you could maybe just—that were allies just a few months ago and no longer are, and are not supporting some military operation that is a priority for this government.

Secretary ALDRIDGE. Yes. As a matter of fact, I got very intimately involved with a case where we had one country which is a very strong ally of ours, a neutral country, but provides certain parts for the Joint Direct Attack Munition (JDAM) tail kits. And because of the Iraqi situation, their political side of their government decided they were not going to ship parts to countries that were in Iraq.

And therefore, they stopped shipping a piece of the JDAM bomb kit, which was a very critical component of ours. And the process of getting there was that we thought it would be something that would be acceptable to us. So happened it was not, so we second-sourced it in the United States, and fortunately we could do that job.

I think these things come up all the time. We want to be a good steward of the taxpayers' dollar. I certainly want to protect the industrial base of this country; that is my job.

But there are certain times that the decisions need to be made that would provide the Secretary of Defense with authority to do something that was invested through the country, but would provide for the best capability at the minimum cost and the best schedule. We have to make those decisions. It is never a black-and-white case.

Mr. RYAN. And I think this—

Secretary ALDRIDGE. And so that is all we are asking, for some authority to give the Secretary of Defense the authority to make

a waiver when it is in the national security interest, just like we have in the Berry Amendment for public interest.

Mr. RYAN. And I understand that.

Secretary ALDRIDGE. Now, the list may be too long, but I think we could work with you and understand what those waiver conditions ought to be. But it is certainly my intent that, as I have said over and over again, not to go offshore for things that we don't have to.

Mr. RYAN. Mr. Secretary, you know, with all due respect, I think we are doing that. I think we are doing that with titanium. And I have a titanium company in my district that is going to close down and 1,000 people are going to be laid off because Boeing is getting their titanium from Russia. And in many instances these countries are subsidizing their corporations or their companies.

And not only are we going to lose 1,000 jobs; the school district that the company is in now has to put a levy on because they don't have the tax revenue to fund their schools. And this is something that goes right through the economy.

And this particular company has to pay a 15 percent tariff on the sponge that they import. So Russia's price is 15 percent better because of that.

And number four is that significant cost savings. And when it is that broad and that open to interpretation and the United States companies are facing significant challenges, they can't compete.

The CHAIRMAN. Mr. Secretary, you mentioned the JDAM example. You said there was a company that stopped sending us components?

Secretary ALDRIDGE. Yes.

The CHAIRMAN. What country was that?

Secretary ALDRIDGE. I would rather not say, sir, if you don't mind. That has stopped. It got corrected. But I would just rather not talk about it, if you don't mind.

The CHAIRMAN. Well, will you tell us in classified session?

Secretary ALDRIDGE. Yes.

The CHAIRMAN. If we beat you with a stick? [Laughter.]

Secretary ALDRIDGE. Well, you won't have to beat me. [Laughter.]

The CHAIRMAN. Okay. We will take that.

I think, Mr. Secretary, that in making that point, you justified the need for more flexibility to go to another country, presumably.

But I think that in making that point, you have fairly effectively illustrated our concern, which is that we have gone offshore for lots of stuff, and there is not a—what I would call a—rigorous scrutiny of the critical-components requirements that we have in weapons systems with respect to reliability of producers.

In this bill, we are going to put in a requirement that the primes give us, if you will, the family tree; that is, where their components come from and whether or not those components are considered to be critical.

At that point, we can identify as to whether or not there are violations of Buy American Act in that family tree. But we can also, I think, put off problems like the one you have just described with JDAM; that is, we can go and we qualify—at some point, probably,

there was a decision that there wasn't an American manufacturer of a particular component.

Secretary ALDRIDGE. That is correct.

The CHAIRMAN. And instead of tooling up a manufacturer and creating one, which we probably could have done with some effort, it was more convenient to go to a foreign supplier. And we probably had their lobbyists working the Hill vigorously or working the Pentagon vigorously to show their new and shiny wares.

Secretary ALDRIDGE. Mr. Chairman, this will fit in directly. I have initiated a foreign-parts dependency study within Acquisition, Technology & Logistics (AT&L) to go look at this particular topic to see where we are to make sure conscious and deliberate and correct decisions have been made across the board.

And in this particular event, you have stimulated that study.

The CHAIRMAN. Okay. Good. And we will try to ascertain the identity of that country and—

Secretary ALDRIDGE. I would be delighted to talk to you off-line, sir.

The CHAIRMAN [continuing]. In the least, deliver them a strong letter.

Secretary ALDRIDGE. It has. [Laughter.]

The CHAIRMAN. And I thank Mr. Ryan.

Mr. Ryan, are you finished? Do you have anything else?

Mr. RYAN. I have a couple more things, Mr. Chairman.

The CHAIRMAN. Go right ahead.

Mr. RYAN. Thank you.

And I think, exactly right, that that is the example. With the titanium, there are four major producers in the world: three are American, one is Russian. And the Americans are about ready to go in the tank. And if we run into that same situation, I think we have a real problem.

One question I do have: There was a section in here, as well, and I don't have it identified here regarding the commercial uses and how the Buy American requirements and the Berry requirements are not needed for commercial planes.

And so I guess the question is if DOD or the Air Force would want to purchase, say, a Boeing 767, that there is no requirement in this instance for titanium, American titanium to be included. And it just seems to me that that is a major loophole where there could be a process of just purchasing commercial airlines to somehow not have to comply with the Berry Amendment.

Secretary ALDRIDGE. That is certainly the case as it stands right now. I know we are looking at that, but you know, we don't control commercial companies and how they do business that are providing a commercial product.

But I think you have identified a question when we are trying to do more commercial procurement. And certainly this lease of Boeing 767 tankers, if that process goes through, will—they are providing a product to the Department of Defense. And whether or not the Berry Amendment applies there, I think there is still some uncertainty and some question.

The CHAIRMAN. Well, let me just say, Mr. Secretary, once again, there is a strong equity that doesn't exist anywhere else that arises from the fact that the American workers paid for the security of

the free world out of their pockets. And they, therefore, should be able to build that security apparatus. I think that is a valid proposition that we should implement wherever possible.

And so, Mr. Ryan and Mr. Manzullo and Mr. Hayes and others are working right now to see that if that Berry Amendment is not, somehow, finessed and that there has been a waiver already in one of the appropriations bills with respect to that tanker rent or lease; that the substance of the Berry Amendment is carried out.

And there may be other ways to do that. The roadblock that has been thrown up is that it is impossible to trace all of these parts that are coming from other suppliers into this basically commercial line that at this point will be tapped to provide leased tankers.

I think there are some ways to work around that, that is, to make sure that, in substance, America's titanium producers sell as much titanium into that program in terms of value as they would have if every single part was followed down and traced to the most basic form.

I want to make sure that happens. And I hope you will go back and renew your direction to these people.

The other thing I have heard is that, from the suppliers, like Pratt & Whitney, is that the traceability isn't all that difficult, but that it may be tough to re-establish or to redo the vendor lines because you have this mixed vendor base, if you will, some foreign, some domestic.

But we should be creative enough to be able to work that. And I also don't want to work it in such a way that we establish a precedent that allows the Berry Amendment to become less important than it has been previously.

So let's renew our dedication on that one, sir.

Secretary ALDRIDGE. Okay.

Mr. RYAN. Mr. Chairman, I would also like to thank you for your leadership on that—also with Chairman Manzullo—and just make a quick plug for our Defense Industrial Based Caucus that we have started, of which Chairman Manzullo is a member. And I think it just illustrates the concern around the country for this.

And one final piece that I would like to add is that one problem that American companies have—and I think there is no procedure for this—is being provided with some notice.

You know, Boeing was going off and saying, "Well, the American companies can't provide the titanium" when, in fact, that wasn't the case. There were qualified companies. And our American companies were never put on notice that Boeing was saying that they couldn't supply the product.

And so, I think, Mr. Chairman, we need to also include in this procedure that the American companies that are being ignored or not being used are at least put on notice so they can provide their side of the story that they are qualified and they can provide the product.

But, again, thank you for your leadership, and Mr. Taylor and Mr. Abercrombie and some others on this committee share this same concern.

Thank you very much.

The CHAIRMAN. And we will continue to work this.

I thank the gentleman.

Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman.

First, let me thank you for a wonderful hearing; giving us this much time and being this indulgent on something that is a very important topic.

And gentlemen, it would always be remiss for me not to begin by thanking you for your service to your country and, frankly, congratulating you on your extraordinary success not only in Iraq, but, frankly, what has been done in DOD across the board. I appreciate it. I know every member of the committee does.

I would also ask—and I know you would do this out of course, but I think it is an important point to make—that you recognize that some of the folks that have a different opinion with a number of your proposals have an equally long history of service to their country and the Department of Defense and, frankly, are equally responsible for the success that we have enjoyed in recent months and recent years.

There was a comment made earlier, and I am sure it was inadvertent, that particularly on some of the personnel issues, pay-for-performance, that the good performers all like it and the ones that are poor performers don't.

I would suggest that is probably not the case. There are a lot of good performers I know in my district that have come and expressed concerns to me. And they have a long history of performing very well. They just simply disagree with you.

And, you know, I have been in politics long enough to know if you can define your opponent, you can discredit their argument before you ever evaluate it. That is a mistake. You know, the folks on the other side of these debates, I can assure you, and I know you know this, sir, are equally committed to the defense of the country.

I will tell you there is a lot of things in this bill I love. I mean, the environmental stuff, I think you guys are right on. Most of the military personnel stuff I could agree with; certainly most of the acquisition reforms. So it is an excellent piece of work or it has many excellent components in it.

I do have a problem, like many of my colleagues, with the civil service provisions, in particular. And I have to tell you, I have a problem with the process at which some of these decisions were arrived at. I don't think it has been transparent. I don't think it has been particularly collaborative or consultative. And I think that is why you are running into some of the opposition that you are seeing today or some of the skepticism.

And not to open an old wound, but to use it to make a point, let me just go back to Crusader a year ago. I mean, you know, I was not in Congress at that time. I would have disagreed very strongly, as my predecessor did, with that decision. But I accept it, you know, the decision is arrived at, it is made, you move on.

What I would never accept is the same process we went through in Crusader because I will tell you, I think it was a debacle for the Department of Defense. I think you strained your relationships with a lot of your natural friends in Congress. I think you alienated a lot of your natural constituencies.

And I would suggest on this civil-service situation, you are headed down the same road if you are not extraordinarily careful. And I would associate myself very closely with the concerns expressed by Mr. Cooper and Mr. Meeks.

You know, I think this is a breath-taking grant of authority in the civilian personnel area to the Secretary of Defense. And I have a lot of confidence in this Secretary of Defense. But I don't know who his successors are going to be and I don't have confidence in people I don't know.

I also, frankly, think there is a lot of merit to having these things in a stand-alone provision. I have Mr. Meek's same skepticism when I see something wrapped up in things that I can be very supportive of. I mean, you know, sometimes you sneak through a weak link or a weak target that way by surrounding it with a lot of other more attractive items. And so, I have some concerns there.

Let me tell you why, if I may, or ask a couple of questions, having expressed those concerns. Let's take the depot work force. Tinker Air Force Base; I have a great interest in that, obviously. Where have they fallen short? You know, where is the quality. Has the quality been short? Has the productivity not been there? Have they not been cooperative, not been responsive when they were asked to go the extra mile?

I mean, certainly when I talk to the uniformed military personnel that are responsible for supervising, they think it is a great facility. They think it has a great work force; think they do a good job. And, you know, it concerns me that I know we will have, later, testimony, you know, from that sector, if you will, that will be at odds with you on every single point.

And they are people that, again, like you, many of them former uniformed military personnel, go on, serve their country in a civilian capacity. So their, you know, their credibility is exceptionally high. Their dedication is exceptionally great. They have performed extremely well.

And as I read through some of the testimony that we will hear in person later today, I think a good point was made with, "Hey, haven't we done a pretty good job over the last decade? Haven't we cooperated in down-sizing? Haven't we been productive? Haven't we tried to work with you?" And I think those are legitimate points, and yet I, you know, what I see is a lot of opposition.

So I would like you to, one, tell me where they are falling short and, two, go through for me, again, your efforts at collaboration and outreach, because I guarantee you they are not your wards, they are your partners. And they want to be your partners.

They look at the universe the same way you do, through very patriotic lenses, and they want the United States of America to be extraordinarily successful in every way. And yet, you know, I don't find that they feel as if they have been included in the process or consulted in a serious way.

Secretary ALDRIDGE. First of all, there is no intent to go away from the 50-50 rule of the depots. That was considered at one time during this process, but we said that was not the thing we want to do. We believe that we have a process in place that is approved by the Congress, and we are going to proceed.

There was a need to do some clarification to what you mean by the 50-50 rule. And that is what this is trying to do: Some clarification. For example, we found that what really works well is when there is a partnership between industry and the depot and the private and public sector.

That works extremely well and we want to encourage more of that because we have seen, and I think every depot manager has seen, the value of partnership; not giving it all to the private sector. And, certainly, we need a core capability existing in the depot.

But what we have tried to do with this legislation is to say, "Well, there is one part of it: Some very special access parts should be excluded from the 50-50 because it is normally dealt with very highly talented people within the contract." It is a very small percentage. But that was a clarification.

The other one is that when the work is done in the depot, even when it is in a partnership, then that ought to count toward the 50-50 calculation as work done in the depot. And, basically, that is what this provision is all about.

The capabilities of the depot are outstanding. We do see that when it is competed, things improve on both sides of the equation, even when the government wins the competition, costs are saved the efficiency goes up. And they win those competitions about 60 percent of the time. But independent of who wins, costs go down by 25 to 30 percent.

So competition works, both for the government as well as inside in the government.

So, I think what we are trying to do here is really to focus, again, on partnerships and making sure we have the right provision in place to make that partnership work better; that is what we are trying to do.

Mr. COLE. Yes. If I may respond quickly—and I appreciate your points—yes, I don't see any hesitancy about competition in the people that I deal with. Quite frankly, they are like most Americans, they like to compete and they think they are better than anybody at what they do and they think they can beat anybody at what they do.

Secretary ALDRIDGE. And they do 60 percent of the time. [Laughter.]

Mr. COLE. Yes. And they will tell you if you would have invested as much in them in terms of infrastructure and technology over the last few years, they would win a lot more than 60 percent because they are working with some pretty old stuff.

But, again, I would just tell you, because I don't want to want to surprise anybody down the road, I have real serious, real serious concerns. I think they were raised again about the grant of authority to the Secretary, how broad, how extensive, how complete that is.

And while I want competition and I believe very strongly in public-private partnerships, I think you are right. I mean, we want more of them. I can promise you, I don't intend to trade, in my area, what I know works well and has worked very well for the promise that somehow competitive things will generate a better product. I mean, I am not prepared to run that gamble.

And I don't just mean that I hope in a simple parochial sense. I mean, I would expect anybody on this committee to try and do their best to look after the districts they are from, but I want to go beyond. I mean, not just this base, but frankly these workers in these depots around the country have performed extraordinarily well. And my dad worked in one for 20 years, my brother for 10. I would match them against anybody.

And so, making them better is one thing, but running the risk of losing them, you know, I think is quite another because they have proven their value.

And then the other thing, again, I would just urge you, as you work through this process, you know, if you win, but you win at the cost of losing the confidence of your own employees and their legitimate representatives through their unions.

And again, I think these unions have been amazingly cooperative. You know, if you really look at the last decade and you look at the effort to work with the civilian leadership and the uniformed leadership at DOD to get a better product; to make America a stronger country, you know, they deserve a big role in this process.

And, again, I don't talk a whole lot with leaders. I talk a whole lot with the guys on the line that used to work where my dad worked.

They don't feel like they have been part of the process. They don't think they have particularly been included. And, you know, if it is not a collaboration in the end, you know, again, whether you win legislatively or administratively, you won't have the product that you need in the end because you won't have the cooperation of your own workers.

And we have seen what that means in a lot of corporate context in the private sector in the last several years.

So, again, I appreciate your service and I don't mean to be unduly harsh. You have been very kind. You guys must have the best bladder capacity on the planet—

[Laughter.]

Mr. COLE [continuing]. Because I have gotten out twice on your time here.

But, again, I appreciate it.

Mr. Chairman, thank you very much for your indulgence and letting me go on this long.

The CHAIRMAN. I want to thank the gentleman. I thank him for his wisdom and his insight. And I have been up with him talking to some of the finest Americans on the face of the Earth, and those are the folks that work in his depot and on his bases.

And that is what I would ask the gentlemen and other folks here, to look at some of the aspects of this package with respect to what they can do to benefit our federal work force.

Maybe I am an optimist: I think there is some common ground here. I think, for example, the ability to bring back senior people that have retired as mentors for the new folks who are training up is great.

I think it would be looked forward to by the new folks who want to know how you solve this particular problem that a guy was able to solve or a gal was able to solve for 20 years because of some insight that they developed. And I think that the senior workers

would like the chance to come back in and teach the new guys how you do it.

So I think there is a value there.

With respect to this issue that we have brought up with respect to the unions, there is a large number of unions. They have great leadership. They provide a lot; they provide a good dialogue.

As I understand, one of the issues is you have, what, 1,300 unions? Is that right?

Dr. CHU. 1,366 locals. Yes, sir.

The CHAIRMAN. How much?

Dr. CHU. 1,366 locals.

The CHAIRMAN. 1,366. As I understand there are some issues that—kind of like the uniform commercial code, you wish you had kind of a national solution.

Maybe you pointed out the problem that everybody has to look at is how when somebody gets a judgment against a federal worker how do they garnish it. That is an issue that you try to work through without stripping folks of too much of their pay.

And maybe there are some issues that lend themselves, like in our government, to a national, if you will, or unified position, where maybe we have a policy that can be adopted across the board. And yet, one size doesn't fit all with respect to a lot of other issues.

And there are lots of issues that local unions certainly are able to work much more effectively because they know the specific local situation and that maybe a national decision is, number one, very difficult to arrive at because it doesn't fit all of the unions, and, number two, something that does not lend itself to shape at the national level.

So my question would be, just kind of thinking out loud, is there a way that we could work a bifurcation of that application where you may have some issues that would be worked where a national standard is required, where the Secretary of Defense could work with the national union leadership and they could put out a national standard?

And yet that would leave for local unions and local management, on specific problems that lend themselves to specific areas, the ability to work those local problems.

Now, am I dreaming? Or is there some accommodation that could be made there?

Dr. CHU. I am sure we could find language that would accomplish that result. Yes, sir.

The CHAIRMAN. Well, in looking at the array of issues that we handle over the years that are typically taken up, do you see a reasonable split there? Do you think there are a number of issues that need to be decided at the local level, as opposed to the national, and vice versa?

Dr. CHU. Yes, sir. That is absolutely the case.

The CHAIRMAN. Okay. Well, why don't we work on that a little bit here in the next several days.

Mr. REYES. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Reyes.

Mr. REYES. I wanted to speak directly to your comment on bringing back the mentors because I am looking at the schematic here

that represents the Office of Reconstruction and Humanitarian Assistance in Iraq after the conflict.

And in looking at the bios, of course, we have General J.M. Gardner; we have General Ron Adams; we have General Jared L. Bates; General Michael Mobs: lack of minorities here. And not to continue to beat this issue. This is an important issue because two things. Number one, we are not seeing any progress.

I have asked for the breakdown on the minority employees at the Department of Defense because Dr. Chu mentioned that over the last 30 years they have made great progress.

If they are anything like the State Department, it is less than 3 percent minorities; not great progress in my mind when we represent Latinos 14 percent, blacks 13 percent of the population.

The CHAIRMAN. I will bet you a steak dinner they beat the State Department. [Laughter.]

Mr. REYES. Well, yes, a little, I will say.

But my point is, you know, when you have a non-minority pool that you are drawing back in as these "mentors," minorities have nobody to look to as role models. We have to do better and we have to understand where the main obstacles and stumbling blocks are.

The ranking member asked the question of Dr. Chu, "Where in here is the section that protects minorities?" And Dr. Chu cited, "Well, there will be no discrimination," there will be no this, there will be no that. Fine, but where is the part in here that says, "We are going to go out and make the Department of Defense look like the rest of America"? And where are we going to see the minority representation?

There is nothing in here except a single person that will decide who goes and who stays. And I will submit to you, Mr. Chairman, that doesn't give me great comfort.

The CHAIRMAN. Okay. I would say two things to my good friend. First, I think we should let the Department give us what you have asked for, which is a breakdown of the representation of the U.S. work force in DOD. I think it is going to be a pretty good answer, but let's not prejudge it. Let's get that from them.

And second, let's retrieve from the appropriate statutory or regulatory language the description or the mandate or the charge with respect to minority hiring.

And so let's see what we have and let's see, second, if that is in any way affected by the proposal before us. Is it, as Mr. Spratt mentioned when he cited the one section that reflected, that hiring will be on a merit basis and then reflected on the provision that gives the Secretary broad discretion and wanted to know what mechanism restrained the Secretary's discretion as a function of directive with respect to meritorious selection.

And so that is a question for a lawyer and for counsel. And we are going to get the precise legal determination there, so we make sure we are not missing something.

So, along the same vein, let's pull the foundation, if you will, for treatment of a minority hiring and see whether or not this proposal in any way diminishes that. But let's let them answer back.

And incidentally, along that line, we are going to have this next panel come on fairly soon. In fact, we have another briefing on lessons learned in the war from the services. It was set for 2 o'clock.

We, obviously, are not going to be able to accomplish that. We may have a vote shortly. So we are going to push that hearing back to 3 o'clock.

But what I would like to do, Dr. Chu and Secretary Aldridge, when we finish here is let you take a break here. [Laughter.]

But I would like to have——

Mr. ABERCROMBIE. Mr. Chairman, are you going to call a break now?

The CHAIRMAN. No. I think I am going to let Mr. Abercrombie ask a question first.

Mr. ABERCROMBIE. Oh, good.

The CHAIRMAN. But before we do that——

Mr. ABERCROMBIE. This is the last full measure of kidney devotion going on there.

The CHAIRMAN. Yes. If you would like to take a break, we will take a break and come back, Neil, if you would like to do that. What do you think?

Mr. ABERCROMBIE. Am I the last questioner?

The CHAIRMAN. I think Neil is the last questioner. He has already asked 50 questions pursuant to asking people to yield.

Mr. ABERCROMBIE. No, no, no, honestly, if I am the last questioner, I would just as soon do it and then these gentlemen can——

The CHAIRMAN. Okay. We are going to let you do it.

But what I would like you to do, Secretary Aldridge and Dr. Chu, when we get finished, if one of you could stay we are going to have another panel come up and we still have a number of questions with respect to legal interpretations.

I would like to make sure that our members who have stayed here until the end have a chance to get the answers to some of those questions.

So if you can leave somebody from your staff—counsel, hopefully—who can answer those questions before we leave, so if you have three or four residual questions, we can wrap them up.

Mr. ABERCROMBIE. I am sure Mr. Geren and Mr. Moore would love to stay. [Laughter.]

The CHAIRMAN. Is that right? Okay.

Mr. ABERCROMBIE. I will volunteer them. [Laughter.]

The CHAIRMAN. I know Mr. Geren and Mr. Moore are true stars on the Hill.

And, Mr. Abercrombie, you are recognized, sir.

Mr. ABERCROMBIE. Thank you very much.

No, I do appreciate the length of time you have been here and I will try not to keep you too much longer.

But, Mr. Chairman, with respect to the proposition made, I guess most specifically first by Mr. Taylor, I would like to associate myself with having the bill, at least, or having a separate bill, rather, for this purpose.

And let me give you an example real quick on this.

Secretary Aldridge, if you would be so kind as to refer to page 66, Title 2 acquisition transformation. I am going to ask you for your honest observation here.

And Secretary Chu, if you wanted to chime in, you could.

Look, subtitle A, Mr. Chairman: "Transformation of the acquisition process." All I am saying here, this is in regard to my point

about having this stand as a separate bill and have some deliberation on it.

Section 201: "Repeal requirements for major Defense acquisition programs." And if you look under the repeals, it refers to Section 2430: 1, 2, 3, 4, 5 and 40 of Title 10 are repealed.

Now, in all honesty, Mr. Chairman, I doubt whether there are too many people in here can cite what those sections are right now, but we are just repealing them in the Defense Acquisition.

And the operational manpower requirements—and then it goes on to repeal the applicability of the Klinger-Cohen Act. The Klinger-Cohen Act may be of incredible interest to you and I, Secretary Aldridge.

It has a little bit of an esoteric quality for a lot of folks with regard to, most particularly, the DOD information technology management.

And it repeals, Mr. Chairman, the notification of the Congress. It repeals the notification of the Congress, which is the thing that bothers me the most. The congressional notification reporting requirements of the Section 811 of Public Law 106398, and 351 of 107348, would be repealed for the DOD information-technology systems.

Now, that may be perfectly reasonable. Maybe this is just some paper burden that doesn't need to be put forth. But you can certainly see, Secretary Aldridge, where a Member of Congress would have a question as to when you are repealing even informing of the Congress that you are going to do it that that would strike a little bit of fear into them that they might be neglecting their own duties.

Wouldn't you agree that just those points alone require a little bit more than a quick pass over by this committee?

Secretary ALDRIDGE. Well, I think they need to be explained as to why we are asking a repeal of the activities. We have a process internal of the Department of Defense that we don't report to you on and that is the DOD acquisition system that has a lot of different aspects of it: inoperability, safety, properly pricing things.

Mr. ABERCROMBIE. Yes, I agree.

Secretary ALDRIDGE. It so happens that we have now in place a process by which the results and the need for the Klinger-Cohen reporting has already been established in existing processes.

Mr. ABERCROMBIE. Excellent. Okay.

Secretary ALDRIDGE. And so—

Mr. ABERCROMBIE. Because of the time constraint—I am not interrupting you because I want to stop the flow, but rather, I agree. My point is, and my observation is—and I would just hope you would agree and I hope Secretary Rumsfeld—because obviously you are going to go back and talk to him about what took place today.

That is the kind of exchange we need to have so that we can achieve a comfort level. And we just simply don't have enough time to do that.

And all I am asking, Mr. Chairman, and I am asking you, Secretary Aldridge, for whom I have great respect, and I think every member does here—and Secretary Chu, you have already been commented upon today by other members in terms of your service, in terms that I think that everybody would agree with—is that you

go back and say to him, "Look, let's take some time on this. You don't have enemies over here."

And if we take some time, maybe we can come up with a package that not only everybody can agree upon, but which we can have a comfort level in terms of our responsibilities here that you could live with and everyone would be a lot happier.

Secretary ALDRIDGE. Just a comment, briefly, is that we went through internally a tremendous process to get all these issues vetted, and of course had to send it to Congress. We have to start somewhere and that is what we have done.

Mr. ABERCROMBIE. Fine.

Secretary ALDRIDGE. We have sent it and we now start the process.

Mr. ABERCROMBIE. That is good, because I would reflect to you that we have to go through an internal process, too.

One other thing then, if I can very quickly, I am going to ask you—I won't go too far with it, but I have information here; I don't have time to go into it all—memos, particularly from former Secretary England and so on, asking people not to cooperate on the Marine Mammal Protection Act and on the Endangered Species Act—cooperate with, like the Fish and Wildlife Service to try to resolve these issues, because the Pentagon wants to make significant changes.

I have various memos which I think are in contradiction to something even Secretary Wolfowitz said recently in which he stated that there was no significant difficulties in being able to accomplish our training mission.

But what I want to ask you to do is to be prepared at some point—we can't handle it today, Mr. Chairman—to go over in detail what you want to do exactly with the Marine Mammal Protection Act in terms of the two definitions of harassment and injury and why you think you need to have this exemption and why you think you need to not cooperate with the Fish and Wildlife Service with areas like critical habitat with regard to training exercises and so on.

Obviously we can't go into it today. And I am going to pursue that. And the only reason I bring that to your attention now is I am one of the members that sits on the Resources Committee, as well, and I have had particular jurisdictional awareness of these issues before.

And I honestly do not believe that there is any significant difficulties in arriving at an accommodation between our training requirements for the military and meeting the provisions of either the Endangered Species Act or Marine Mammal Protection Act, let alone Clean Air and some of the other issues. I believe they can be accommodated, I believe they have.

And I want to finish, Mr. Chairman, by saying that the record of the Department of Defense in meeting environmental standards and requirements is exemplary compared to almost any other area of governmental agency activity, including Interior, Commerce and some of the other agencies.

And I think if we build upon that record, we could resolve some of the outstanding issues in the exceptional instances in which

there may be a difficulty by working together, rather than trying to get wholesale exemptions that we might regret later on.

Thank you.

The CHAIRMAN. I thank the gentlemen.

And, Mr. Secretary, you are going to be leaving this position fairly soon. And you have been an extraordinary public servant. I think you have embodied in your career the idea of duty and service of country that is manifested in the careers of hundreds of thousands of great federal workers.

And let me tell you, you have really impressed this committee with your work ethic. I have seen you over at the Pentagon working well into the hours of the night and I am wondering, why is this guy spending all this time working when he could be out maybe having a lot more fun in life? [Laughter.]

Secretary ALDRIDGE. My wife asked me the same question. [Laughter.]

The CHAIRMAN. Well, you represent the absolute best in government service. We appreciate you.

Secretary ALDRIDGE. Thank you, sir.

The CHAIRMAN. And let's continue to work on this issue before you take off. And thank you for a great career of dedicated public service to our country.

And, Dr. Chu, thank you for coming over and continuing to work with us.

Let's keep this going and please leave some talented folks behind to answer the last questions of the day, because we will probably have five or six more legal questions before the hearing is over.

Dr. CHU. We will leave our drafting team here, sir.

The CHAIRMAN. Okay. Thank you very much and we will take a break and we will take the second panel shortly.

[Recess.]

The CHAIRMAN. Ladies and gentlemen, we are going to conclude this hearing after our second panel is up, and then we will move into our lessons-learned classified briefing with our warfighters coming back from Iraq. And then, at approximately 10 p.m. we will take a break to get ready for the next hearing. [Laughter.]

We have with us the Honorable David M. Walker, Comptroller General, United States General Accounting Office; and Bobbie L. Harnage, Sr., National President, American Federation of Government Employees, AFL-CIO.

And, gentlemen, thank you for being with us and for enduring here for this very long hearing. We appreciate that. This is obviously an issue of great importance to us and a major issue from your perspective.

So at this point, I think we will lead with Mr. Walker and then, Mr. Harnage, we will be happy to hear your testimony. And the written testimony of both witnesses, without objection, will be included in the record.

And having said that, before we fire up, I want to turn to my ranking member, the gentleman from Missouri, Mr. Skelton, for any remarks he wants to make.

Mr. SKELTON. I merely want to ask unanimous consent to put in the record the testimony of J. Jerry Shaw, general counsel, Senior Executives Association.

[The testimony of J. Jerry Shaw can be found in the Appendix on page 1409.]

The CHAIRMAN. Without objection.

Mr. Walker, thank you for being with us. The floor is yours, sir.

STATEMENT OF HON. DAVID M. WALKER, COMPTROLLER GENERAL, UNITED STATES GENERAL ACCOUNTING OFFICE

Mr. WALKER. Thank you, Mr. Chairman, Ranking Member Skelton, all the members of the committee. I appreciate the opportunity to be with you.

Thank you for entering my full statement into the record. What I will do now is to summarize the most important comments for your consideration.

I will focus my remarks on the civilian human-capital reform proposals in the act that I believe have been the area of most interest and concern and discussion and debate today.

But before I touch on our comments, I think there is a little bit of context that is appropriate.

First, DOD is the second-largest civilian employer in the federal government with approximately 700,000 civilian workers.

Second, the DOD deserves an A on effectiveness. It is number one in the world in fighting and winning armed conflicts as recently evidenced by Iraq; but it is a D on economy, efficiency, transparency and accountability. DOD has nine of 25 high-risk areas on GAO's High Risk List that was published in January of 2003.

At the same time, current DOD leadership from Secretary Rumsfeld down is committed to transforming the way the department does business. Human-capital strategy is key to any related government-transformation effort, as well as DOD.

We agreed that the federal government needs to modernize its human-capital policies and practices to conform to the 21st century, to recognize the reality that the work force is very different, the world is very different. At the same time, how you do it, when you do it and on what basis you do it matters.

DOD's civilian human-capital reform proposals are unprecedented in size, scope and significance. They have significant implications for government-wide human capital policy in general, and OPM in particular.

As a result, Congress should consider them carefully before acting. DOD is asking for many of the authorities granted to the Department of Homeland Security, but in some cases without the related safeguards. They are also asking for some additional authorities beyond what Congress granted to the Department of Homeland Security within the past year.

Many of DOD's specific proposals have strong conceptual merit, including their broad-banding and pay-for-performance proposals. However, we do have serious concerns with regard to several aspects of their proposals, and we have outlined those in the statement, Mr. Chairman, so I won't cover them now.

We believe that there is no question that DOD needs additional flexibility in certain areas. At the same time they need to be coupled with adequate safeguards to prevent abuse and appropriate transparency mechanisms in order to provide for effective congressional oversight.

We believe that it would be more prudent and appropriate to take a government wide approach to broad-banding and pay-for-performance. Specifically, the Congress could authorize broad-based authority which could be used by either DOD or any other agency to implement broad-banding and pay-for-performance systems if they demonstrated to the Office of Personnel Management that they have adequate systems and safeguards in place in order to maximize the chance of success and minimize the possibility of abuse.

These safeguards are outlined in my statement as at least a beginning that Congress could consider for discussion and debate.

The Congress should also consider establishing a government-wide fund which agencies could access to help implement modern-performance management systems based upon sound business-case proposals. That is also talked about in my statement at more length.

This approach would accelerate progress throughout the federal government, not only in DOD, but would avoid further Balkanization of the civil-service system within the executive branch.

It also would assure that management was provided reasonable flexibility while at the same point in time, adequate safeguards were there to prevent abuse and appropriate transparency and accountability mechanisms were in place for the Congress to discharge its constitutional responsibilities relating to oversight.

So in summary, Mr. Chairman, we have mixed emotions: Conceptually, strong support for many of the things that are being sought. At the same point in time, concerns that there are not adequate safeguards and that those need to be incorporated and addressed.

And that, furthermore, given the significance of this, not only the civil service as a whole, but also OPM in particular, that Congress needs to carefully consider it.

But our view is in some cases, a broader-based approach with adequate safeguards would actually be preferable than having individual departments and agencies continue to come up and say, "we would like to be carved out, trust us," versus provide broader-based authority that would say, "we are willing to provide DOD and a number of other parties the ability to be carved out provided you can demonstrate that you have the safeguards in place." The Missouri principle: Show me. And then it is operationalized.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Walker can be found in the Appendix on page 1358.]

The CHAIRMAN. Mr. Walker, thank you.

And Mr. Harnage, thank you, sir, for being here today and spending all the time you have been spending working this very important issue. And the floor is yours.

STATEMENT OF BOBBY L. HARNAGE, SR., NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES (AFGE), AMERICAN FEDERATION OF LABOR-CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

Mr. HARNAGE. Thank you, Mr. Chairman and Mr. Skelton and members of the committee. Thank you for the opportunity to testify today on DOD's proposal for total unilateral and unchecked author-

ity to impose an entirely new personnel system upon the Department every time a Defense Secretary decides to do so.

AFGE represents over 200,000 civilian employees who have worked around the clock preparing the troops, maintaining and repairing and loading their weapons onto tanks, aircrafts and war ships. Their loyalty and patronage cannot be questioned.

But today we must question just how loyal and dedicated the Department is to them.

DOD's proposal does not ask the Congress to vote on a new personnel system for the Department or to vote on a new pay system for the Department or to vote on taking away federal employees' rights to due process to appeal decisions they feel have been based on discrimination or political coercion or to vote on whether federal employees should have the right to form labor unions or to vote on the rules that govern reduction in force, rules that today require consideration of both performance and seniority.

This bill is asking—no, it is insisting—that you hand your authority on each of these matters to the Department on each successive Secretary of Defense. They will make those decisions, not you.

You have heard a lot of excuses as to justification for this operation to erode the civil service. The worst has been, the legislation is needed because the current system forces DOD to contract everything that isn't nailed down and prevents high performers from getting their due. Neither of these arguments is true.

DOD's proposal allows every new Secretary of Defense, without congressional input, to impose a new flavor-of-the-week pay-and-personnel system of its own design. And employees and their representatives will have nothing whatsoever to say about it, and neither will you.

The not-so-veiled threat that if they don't get the power they demand they will simply privatize everything is an important admission that contracting out has never had anything to do with saving money or improving efficiency.

And giving each successive Secretary of Defense total unchecked authority to hire and fire whomever he wants, promote and demote whomever he wants, schedule and pay overtime or schedule and fail to pay overtime to whomever he wants, allow collective bargaining or disallow collective bargaining to whomever he wants has little to do with national security.

It is about unbridled power to move money and jobs to political favorites, cronies, relatives and concubines.

We have a tradition in this country. We have a system of checks and balances that holds everyone, even the Secretary of Defense, accountable. No Secretary of Defense should be above the law.

But DOD's legislative proposal amounts to nothing more than giving the Secretary of Defense the power to decide which laws and regulations he would rather do without. I would urge you in the strongest possible terms to think twice before you vote to hand this power over to each Secretary of Defense.

Pentagon officials, at their case is a plea for freedom to waiver the laws and regulations that compromise the federal civil service. Our opposition is a plea for freedom as well. We ask that you preserve our freedom from political influence, cronyism and the exercise of unchecked power.

DOD is not a private corporation. Market pressures do not keep it honest. Congress and collective bargaining and the rules of law do. Government agencies operate under laws and regulations set by Congress specifically to make sure that taxpayers and government employees are guaranteed freedom from coercion and corruption. DOD's proposal takes away that freedom.

I ask you, what sense do their arguments make when there are at least four times as many contractor employees that work indirectly for the department, many of them in a unionized work force; employees who have the right to have their union represent them, the right to collective bargaining, collective bargain for all the protections and rights that the Department is asking you to take away from the civilian work force you now control.

You will have employees working side by side, sometimes doing the same work. One will have all the rights any other citizen of this country has, and the other will have virtually no rights. You will be creating a work environment where unions will be the only protectors of constitutional, civil, and human rights, fair and equitable treatment of one group of workers. And Congress will have taken away those rights from the other groups. Employees Congress has heretofore protected.

The most absurd comment I have heard concerns pay. Everyone that performs above 51 percent will get pay increases; higher performers, more than the rest. Those not performing at or above 51 percent will get their pay cut. I thought they wanted to get rid of poor performers. Now I find all they want to do is just pay them less.

Let me sum up with this observation. The comptroller general, Mr. Walker, has laid it out very professionally for you. He recommends that you do not do this at this time this way. DOD is not ready, and neither are you.

I urge that you take his advice, and as the gentleman from Tennessee said this morning, and it is the same thing really that the comptroller is saying, why would you buy a pig in a poke?

There is no justification for this rush to pass this legislation. Instruct the Department to work with the employees' representatives and develop a draft of the changes in statute and regulations they need and bring it back to Congress when it is done. This can be a win, win situation.

Mr. Chairman, that concludes my statement. And I will be glad to answer any questions you might have.

[The prepared statement of Mr. Harnage can be found in the Appendix on page 1371.]

The CHAIRMAN. Okay. Thank you, Mr. Harnage. And Mr. Harnage, let me start by asking you this question since you commended Mr. Walker for his statement. Mr. Walker said there were lots of good initiatives in this package. Do you agree with that?

MR. HARNAGE. Well, there can be some, some that—

The CHAIRMAN. Well, what I am trying to find is because we are looking at all the provisions. If you sat in on the first part of the hearing here with Dr. Chu and Secretary Aldridge, we took up a number of those issues which we disagree with the Department on.

And so, some we are going to agree with, and some of them we are going to disagree with. And so, what I am trying to do is find some common ground here.

A couple of things struck me in this last hearing that I thought came to my mind would be things that federal employees would like. And one, let me give you a couple of them. And I would like your comments on them.

One, they talked about the fact that you have so many guys in uniform doing jobs that federal employees could be doing. But the reason you have a sergeant go do something is because it takes a couple of months to qualify, go through the bureaucracy with respect to qualifying a federal worker for that position.

So if that is true—and I have seen some evidence that it is true—it appears the Secretary has over 100,000 people in uniform doing jobs that he would like to move them out of and have those jobs done by federal workers. That would seem to accrue to the benefit of the federal work force if in fact that happens.

So do you agree with the idea that there is too much bureaucracy in trying to qualify a federal worker for some of these jobs that presently uniformed people are being assigned to do? Would you like to have more of those jobs being done by federal workers? And do you think that is something we should try to accomplish here?

Mr. HARNAGE. Well, to answer your first question, what is good in the bill. You know, it is very difficult for me to answer that question because this is the second hearing I have been to, and I have heard a different interpretation of what is in the bill.

We didn't get it as quick as you did, although there was some discussions. All it was was a heads up of what might be coming forth. There was no here-is-the-legislation-we-are-looking-at draft, would you look at it and tell us what your problems are.

It was a discussion. And when we asked the specific question, "Is this going to be in the legislation?" we were told they were not authorized to talk to us about that.

The CHAIRMAN. Okay.

Mr. HARNAGE. So it is hard for me to say with an ever-evolving interpretation of what they intended for me to say anything is good in it. To answer your question, treating 700,000 federal employees wrong does not make it better just by making it 800,000.

So I question the sincerity of what they said. And let me give you an example. When we were on the commercial-activities panel, and we were talking about bringing work back in house, when we were talking about giving federal employees the opportunity to compete for new work, Pete Aldridge, who sat right here, first asked why in the world would we do that. We said because it would save money.

And his other comment was, we don't have the capability to do that. We can't hire the employees. But all of a sudden, they can hire, you know, several thousand. I don't believe they fully intend to do that. There is no language in the legislation that says they will do that. It is merely an opportunity to do that.

The CHAIRMAN. Well, let me ask it a different way, then. Let's assume that you had a different administration, and you had an administration that you felt was in your estimation going to carry out the bill in what you consider to be an appropriate manner. And

you have this problem. I am trying to raise the substantive problem. You have 170 some thousand uniformed people, people in the service, doing jobs that presumably could be done by civil servants.

And the answer that we have received as to why it is difficult to get civil servants in there as opposed to just ordering somebody in the chain of command to go do it is because it takes a lot of time to make that qualification.

In terms of the substance, not the personalities, but the substance, would you like to have a system where you can rapidly qualify a civil servant to do a job that is presently being done by uniformed personnel so they could take that job, and the uniformed personnel, that sergeant could go back to training for warfighting?

Mr. HARNAGE. I have no question with that and don't have a problem with that because over the past 20 years, I have seen DOD move military people into civilian slots and it becomes military slots. Reverse of that shouldn't be a problem. As far as qualifications and the ability to hire people, you know, this is—

The CHAIRMAN. Well, why don't we work on that problem then?

Mr. HARNAGE. Give me a chance. If you pass this legislation, I don't have that opportunity.

The CHAIRMAN. Well, I tell you what, Mr. Harnage. We probably will have spent more hours, believe it or not, in this \$400 billion bill—we probably at the end of tomorrow will have spent more hours because we have so many things we have to do. And we are going to follow this up with lessons learned in this war we are fighting or have just concluded.

We will probably have spent more hours doing this, working this thing. And we are going to spend, let me tell you, a ton of staff hours and member hours trying to shape this bill, rejecting some of the provisions that the Administration has and accepting others.

And so, I would like to know in good faith whether you think we can find some common ground in some of these areas where you say, "Yes, I would like to have a federal employee having a shot at that position instead of having a uniformed guy have it."

And according to the testimony we received from the Administration, in some cases what you do instead of going with the federal worker, because it is harder to qualify them, is you work around that by hiring a contractor and contracting out.

Now if it becomes easier to qualify your own people and your own federal workers to do the job instead of a contractor, I would think that is something that you should embrace and try to work on.

So, do you have some time to work over the next couple of days with our staff and look at some of these basic, substantive provisions and see if there aren't some things that you can agree with or that you would be willing to work on and change them in such a way that they would help the federal work?

Mr. HARNAGE. Mr. Chairman, I have never turned down the opportunity to work with somebody to make positive change.

The CHAIRMAN. Okay.

Mr. HARNAGE. And I would be glad to work with you on that. I just question the sincerity of what the Department has said. And let me give you one other example. I just came from Kirkland Air Force Base, the laboratories.

The CHAIRMAN. Could you pull the mike up, please, close.

Mr. HARNAGE. I just came from Kirkland Air Force Base which has a lot of laboratories on it. And the doctor there was explaining to me in this laboratory where they were doing some great work, some important work, was saying we are going to build an annex onto this building and increase, double our work force.

And he said, my problem is I have the money, and I have the land. But I can't get the authorization for the Full-Time Equivalents (FTE). Now if he has a problem with a couple of dozen, hiring a couple of dozen scientists or engineers, where are we going to get the FTEs to hire several thousand ex-military slots to fill if we can't just fill those couple.

So they have to come clean with you, Mr. Chairman. They are not coming clean with you. They are controlling the slots. The delay in training people, the delay in hiring people is the flexibilities they currently have because everybody from A to Z has got to look at it and approve it instead of giving that manager the authorization to do what he needs to do to fulfill his mission.

The CHAIRMAN. Mr. Walker, looking at the provisions, the most important, substantive provisions of this proposal—and going first to that qualification provision that I talked to Mr. Harnage about, have you looked at that problem, the problem of qualifying federal workers for jobs?

Mr. WALKER. We have done some work in that area. And there is no question that there are certain aspects of this bill that have merit from a conceptual standpoint. At the same point in time as I point out in my testimony, I think there need to be some additional safeguards incorporated.

The CHAIRMAN. Okay. What safeguards are you thinking about?

Mr. WALKER. Well, on page five and six of my testimony, I give several examples of things where we believe it would be appropriate to incorporate some additional safeguards.

One thing I would note, Mr. Chairman, is it is my understanding that it doesn't take legislation if the Department wants to end up converting certain military slots that are currently occupied by military, uniformed personnel into civilian. I don't think it took legislation to do the otherwise. I don't know that it takes legislation to turn it back.

The CHAIRMAN. No, the Administration said that the problem was it takes a long time and a lot of red tape to get the federal worker there in that position. And so it is a lot easier basically to simply turn to the sergeant and say, "Go do it."

And since he is in the chain of command, and he doesn't have this red tape, you can put him there quickly. Now, that seemed to have some merit. The idea that you want to undo that so that you can move a federal worker into that position, free up the military guy to go do his job, his warfighting job.

Mr. WALKER. It does have intellectual merit. As you know, there was some reform in the Department of Homeland Security bill that provided government-wide reform in certain areas. Senator Voinovich as well as Congresswoman Davis are considering some additional government-wide reform in this area because DOD is not the only one that has this problem. There are a number of federal civilian agencies that have the same problem.

The CHAIRMAN. Okay. But you would recommend doing something about that problem?

Mr. WALKER. With appropriate safeguards.

The CHAIRMAN. Okay. And you note some of the safeguards that you would put in legislation, you think need to be placed in legislation in your testimony?

Mr. WALKER. We do. And I would be more than happy for myself or any of our GAO staff members to be able to converse with you, members or staff to try to address others.

The CHAIRMAN. Okay. Let me ask you another question for Mr. Harnage and yourself.

We have talked about the national issues, or having negotiation on a national basis as opposed to on a local basis. And the idea is that there are some 1,300 locals and that that means that if you have an issue which is a common issue or a standard issue; one was this garnishment issue that comes up.

It may be treated in 1,300 different ways presumably, and yet it is something that would seem to lend itself to a national standard where once you set that standard and that formula that it is something that could be picked up by all the locals right down the line and could be used.

The thought occurred to me that in trying to make kind of a compromise on this issue that there is probably a lot of issues that are local in nature where one size doesn't fit all. But there are some things where one size probably would fit all or should be a national standard.

Does that make any sense, Mr. Harnage, that we might have a formula where there are some issues that are decided nationally so the Secretary of Defense can have a meeting with national union leadership, clear that one off the calendar and then let the locals work on the things that are specifically local in nature? What do you think?

Mr. HARNAGE. Sure, Mr. Chairman. You are absolutely right. And I can give you plenty of examples where that has already taking place. But the example given on the garnishment of wages, let's clean that up. None of us in this room right now know who the problem was. We are automatically assuming that it was the union.

The CHAIRMAN. I am not assuming it is the union. I am just offering that as an issue, just as an example. There is no fault being placed here.

Mr. HARNAGE. Right. Well, no, but I think Dr. Chu tried to imply that we were the problem when in fact, we don't know but what they were the problem. They wouldn't agree with us rather than us not agree with them.

The CHAIRMAN. Well, listen. I assure you that at least I took no implication that there was any wrong or right.

Mr. HARNAGE. But we have about 32, I think it is, of what we call bargaining councils, where we are bargaining at the level you are talking about.

We right now bargain for the Marine Corps. We have the entire command in the Air Force, the Logistics Command, where we bargain at command level. We do it with the Veterans Administration (VA). We do it with the Social Security Administration. We did it

with the Border Patrol and with Immigration and Naturalization Service (INS) before Homeland Security. There are 32 examples of those where we negotiate at the agency level. And they have supplements to deal with the unique situation down at the other level.

The reason we don't have more than that is the Pentagon has fought us for the last 20 years to raise those recognitions. They wouldn't allow it. And the last couple of years I was able to get them to just quit fighting it and let it happen.

And within the last year, the commissary agency, the finance agency have all—we have raised the level of recognition up to the agency level because they didn't resist it. But there is a way of doing it. You don't need legislation. What you need is cooperation. And there is a way of doing it so that the employees choose who their representative is rather than the employer. That is the way I prefer it.

The CHAIRMAN. Okay. Well now we are talking about negotiating at a national level. We are not implying that the Secretary of Defense would chose the national union leaders.

Mr. HARNAGE. Well, if he has 1,300, how is he going to deal at the national level with 1,300? He hasn't cured his problem.

The CHAIRMAN. But you have national leadership that can handle these issues, though, right? For example, you would be in a position to negotiate national issues with the Department of Defense.

Mr. HARNAGE. That would be true. And we had that. We had that under a defense partnership council, which was immediately done away with when this Administration came in office.

The CHAIRMAN. Okay. Let me ask Mr. Walker. Do you have any comment on that issue on whether you could have a bifurcation of this thing where you have national issues handled nationally, gotten off the docket, and then local things are retained for the local level?

Mr. WALKER. I think it clearly makes sense for some issues as a matter of, you know, efficiency and economy to be able to be dealt with at the national level. And other issues, by definition, because of their nature have to be dealt with locally. I think the point is is that whether or not you need legislation to do that.

Clearly that is something that ought to be done. It is in the interest, I would argue, of both parties to try to make sure that national or cost-cutting issues are dealt with at the highest level possible.

The CHAIRMAN. One last thing, and then I will move on. I want to thank my colleagues for letting the chair just pursue this a little bit. But another thing that jumped out at me was you may have seen me take a double take when they said that such a large percentage of our work force is eligible for retirement right now.

I have gone through a number of depots with great folks working in them, and they are a little bit like the F-16 facility in Dallas, Fort Worth, where I was informed that I think the average age on the line of those grand people building those great planes was like 53 or 54.

And so, when they talked about that, a couple of things came to me. One was this idea that, where you can hire back a retired federal employee who has that great skill, and he can be a mentor to the new folks coming on. Now it seemed to me like that ought to

be something that would appeal to federal workers, both the young guys coming on and the senior folks that have left.

The other thing that I thought would have appealed to federal workers is the idea that when you have in these great new skills where you have the job fairs, and you have all the companies out there hiring people basically right out of a job fair, that an IBM can come by and pick up somebody who has a tremendous skill of some technology and hire them right there.

And what we have to say in the federal government is we will get back with you. And after three or four months, you may have a job. And we are going to lose out to that private company. So in those two areas, could you give me your comments? One is having the senior guys come back on board to mentor new people coming in. And the other one, being able to hire people quickly. Doesn't that make sense?

Mr. HARNAGE. It makes sense if you have the correct checks and balances there. In the first place, that is probably going to involve very few people that I represent because only the higher grades are going to get that opportunity. You have to make sure that we don't create a position so that I can retire at 50 to 60 percent of my salary. But before I do, I hire myself back as a senior employee. And what I have done is substantially increased my income, but I am doing the same job. That is not in the best interest of the taxpayer.

The CHAIRMAN. Well, we are not going to let you hire yourself back.

Mr. HARNAGE. Well, sure. There is nothing in that legislation that prevents that.

The CHAIRMAN. Let me assure you, when any legislation leaves this committee it is not going to allow either congressmen or federal workers to hire themselves.

Mr. HARNAGE. Well—

The CHAIRMAN. Okay. Hefley is out of here now.

Mr. HARNAGE. Well, you need to make sure those—

The CHAIRMAN. So with proper safeguards, you think that is not a bad thing?

Mr. HARNAGE. Proper safeguards will make sure that it is in the best interest of the mission. Sure, there is not a problem with that.

But be careful that what we are not talking about with this employer—somebody mentioned this morning about people of the same mind. Make sure that we are not laying the ground work for the military establishment to hire itself back, and everything we have in the Pentagon is of the same mind.

The CHAIRMAN. Okay. Mr. Walker.

Mr. WALKER. Two things, Mr. Chairman. Clearly it makes sense to provide some additional flexibility to be able to provide, to hire critical occupations more expeditiously than now.

Furthermore, clearly it makes some sense to provide some reasonable flexibility to be able to help with succession planning, in some cases to help people to enter into phase retirement rather than just all-or-nothing working.

I might note that Congress gave us some flexibility in this regard. It gave GAO the flexibility to be able to hire a certain number of personnel for a stated period of time on a non-competitive basis. That concept, I think, not only has potential merit here with-

in DOD, but elsewhere. But you limit it by the percentage of people, the term and critical occupations so you don't undercut the civil service.

Second, I would also note that Congress has provided us some flexibility to where we have the ability to have people phase into retirement, where they can work part-time, where they can end up still being employed and get their annuity.

But we are going to do that in a situation where it is a year-by-year test and where there are going to be limitations on the number of people that can do it. So yes, I think these concepts have merit. And I think with the right kind of safeguards, not only to prevent abuse, but frankly to control costs, because there are costs associated with these provisions, as well.

The CHAIRMAN. Okay. And Mr. Walker, is it true, because this was offered, kind of, anecdotally that you go to a job fair, and the U.S. Government can't hire you for several months, but the private company hires you on the spot if you have what it takes? Is that the case?

Mr. WALKER. It can be the case, depending upon what the nature of the position is and whether or not the rules that apply, whether it is rule three, et cetera, et cetera.

The CHAIRMAN. Okay. Okay. Thank you.

Mr. REYES. Mr. Chairman.

The CHAIRMAN. Yes, go ahead. And then I will yield to Mr. Skelton here.

Mr. REYES. Only because I want to make a point on your question there. In the past, the OPM has granted authority to agencies that are under stress. And I will use the Border Patrol as an example to do one-stop hiring.

And what that means is that agency will put together a task force that will go essentially and give the written examination, do the interview, do the medical check and kind of put an employee on a fast track. That normally would take the three to four months, would be greatly reduced. They could actually be in a class within a matter of weeks and on the way to the academy.

That flexibility has been done in the past, can be done. And I know if it was done for the Department of Justice Border Patrol, it certainly can be done for the Department of Defense.

So I wanted to make that clear on that because that is something we have done before or in the previous career we have done previously. We hired about 2,200 people that way.

The CHAIRMAN. Excellent. Excellent.

Mr. Skelton.

Mr. SKELTON. I will have some questions later.

The CHAIRMAN. Okay.

Mr. Spratt.

Mr. SPRATT. Thank you both for your testimony. I wasn't here for all of it, but I have been trying to read it and listen at the same time. And Mr. Harnage, I read a good bit of yours before your testimony.

Let me ask you, Mr. Walker. You say in your testimony, these authorities give DOD considerable flexibility to obtain and compensate individuals and exempt them from several provisions of

current law. You go on to say we strongly endorse providing agencies with additional tools and flexibility.

But the broad exemption from some existing ethics and personnel authorities without prescribed limits on their use raises some concern. Could you be more explicit? Could you list in particular the ethics and personnel exemptions that you find troubling?

Mr. WALKER. Well, the personnel exemptions, we give several examples on page five and six where we talk about the fact that in many cases the Department of Defense is asking for similar authorities that the Department of Homeland Security has, but without some of the safeguards with regard to numerical limitations or without regard to the role that OPM might play or, in one case, OMB might play as a check and balance.

I think one of the issues that we have to keep in mind here is that when you pass legislation, it is for every Secretary of Defense forever.

And one of the concerns that I have, sir, is that while there is no question that conceptually a lot of these proposals have merit, the idea of taking the Department of Defense, which is the largest civilian employer behind the postal service, and effectively carving it out and effectively exiting it from much of the major aspects of the civil service, is one that I would have concern about as to the precedent that it would set.

And I believe that, obviously, some of the things they are asking for on the military side are unique to the Department of Defense. But some of these areas frankly are not just problems for the Department of Defense. They are problems for the whole, you know, civil service.

And if the Congress could end up recognizing that and trying to work to provide reasonable flexibility to DOD and frankly other agencies, but to incorporate adequate safeguards to prevent abuse, I think you have a win-win situation. You not only help DOD, you help the government as a whole and the taxpayers. But at the same point in time, you protect the rights of employees.

Mr. SPRATT. Let me ask you on a very different topic, but still part of this whole proposal. DOD proposes to dispense with the SAR, the selected acquisition report. It is my understanding they propose to raise the threshold of the applicability of TINA, the Truth in Negotiation Act, which applies to sole source contractors to \$200 million, which precludes an awful lot of sole-source business.

And there are a number of other management tools that have been built into this system over the years. It used to be the GAO had quite a bit of work to do with the SAR. You would periodically issue a review. I don't think you do that any more. We probably repealed that at some time. But do you think it is wise to repeal the SAR without having something to put in its place?

Mr. WALKER. There is no question that there is a need to streamline and simplify certain acquisition aspects. Also, there is no question there is a need to streamline and simplify the reporting proposals.

However, I would note that if this legislation was enacted as it is proposed, including the SAR, then a number of critical reports that we rely upon in order to do work for the Congress on weapons

systems and other major acquisitions would no longer exist and therefore, that that would impede our ability to do our job for the Congress and the country.

I would also note, as another example, is there is a sunset provision in here to repeal a number of reports after five years. Something like that may have merit. But it should be, in our opinion, prospective. In other words, if you pass a bill, the way that it is written right now, anything that was in existence five years ago or more is gone the next day.

And so, if Congress wants to do something like that, you may want to make it prospective. So no, not a unilateral exemption of SAR, but a streamlining and simplification.

Mr. SPRATT. What about the Truth in Negotiations Act? I know that you don't do the follow-up audit work there. I believe the Defense Contract Audit Agency does. But still, it basically says that if we have a sole-source contract, we have a right to go in and look at the cost data and see whether or not we are getting a fair deal.

Mr. WALKER. I would have to look closer at that. You properly pointed out that we are not the ones that are on the front line of dealing with that. And so therefore, I wouldn't want to comment right now.

Mr. SPRATT. How about DCAC, Defense Contract Accounting Centers?

The CHAIRMAN. Mr. Spratt, could we get an answer on the record for that because I think that is an important—

Mr. WALKER. I would be happy to provide something for the record, Mr. Chairman, on both questions.

Mr. SPRATT. Okay.

Mr. WALKER. Thank you, Mr. Spratt.

Mr. SPRATT. DCAC, Defense Contract Accounting Centers?

Mr. WALKER. Well, that is what I said. I will be happy to provide something for the record on that.

Mr. SPRATT. Okay.

Mr. WALKER. Thank you.

Mr. SPRATT. As long as you are doing that, if you could get your staff to look at the other reports that are discontinued by the adoption of this legislation and pick out the ones that really have some significance to you, to your agency, to having data in the public domain that you can use and don't have to go out and get together from scratch in order to keep abreast of defense contract work.

And let us know in a letter back to the committee. That would be very useful.

Mr. WALKER. I anticipated that request. And we are working on it right now, Mr. Spratt. Thank you very much.

Mr. SPRATT. Thank you very much.

Mr. Harnage, have you seen before in the language of other agencies anything as exclusive as the language which vests the sole, exclusive and unreviewable authority in the Secretary of Defense to do countless things with personnel in this bill? Are there any other parallels to this that you can think of?

The CHAIRMAN. Now, did I hear something about leading the witness when I was asking that kind of question?

Mr. HARNAGE. Well, I have been in this business for 39 years, and I have never seen anything like this.

Mr. SPRATT. Well, that is your answer. I didn't have to lead him to get that answer. He has been here for 39. He is an expert on the subject.

I have sponsored before—and I will let others ask a question after this—language on trying to take the China Lake experiment, for instance, with pay banding and performance reviews to offices throughout the Department of Defense and not just to a select entity like China Lake.

And I will have to say that in the past when we put it through, I was on this committee and then on the Government Operations Committee. I was in two places where we could move the legislation. We had some negotiations with your folks in order to get the language down to a point where you wouldn't object to it.

Do you have any problems with the way it is working out to the best of your knowledge right now, the experiments, the expanded experiments with that kind of personnel pay?

Mr. HARNAGE. I am not convinced that it is any better than the current pay system. You have to remember that China Lake was prior to Flexible Employee Benefits Company (FEBCO), the current pay system.

Mr. SPRATT. Yes.

Mr. HARNAGE. And it has been changed several times over the past years and one time after FEBCO was passed. And I think it is because of the current pay system that is making it successful. Without the current pay system, I am not sure it would be as positive as they try to make it out to be.

Mr. SPRATT. Thank you very much, both of you.

Mr. HARNAGE. All right.

The CHAIRMAN. I thank the gentleman.

Mr. Hefley.

Mr. HEFLEY. Thank you very much.

Mr. Harnage, I thought, and I stated this morning, that the Department makes a pretty good case for some problems, for some need for some streamlining and getting rid of bureaucracy and making things happen more quickly. Do you see a need for some changes? Did they make the case to you?

Mr. HARNAGE. No. Let me make clear: I consider myself a change agent. I am not for status quo. I said any time I am given the opportunity to make some positive change I will be at the table. I will be glad to work with anybody. I have tried to work with the past administration as well as this one on pay reform.

Nobody yet has said okay, let's sit down and talk about pay reform. They keep coming up with these schemes, but they never really sit down and talk about it. Yes, there are some needs for changes. There are some needs for modernization. There are some needs for new management techniques. There is some need for changes in the current pay, not major, but some tweaking.

And I am willing to do that. But you don't have to give somebody unfettered authority in order to accomplish that. Because you have no guarantee that is what you are accomplishing. You are accomplishing change, but not necessarily the positive change.

Mr. HEFLEY. But you do see some need for some modernization and change?

Mr. HARNAGE. Sure. Sure.

Mr. HEFLEY. Is that correct?

Mr. HARNAGE. Yes.

Mr. HEFLEY. Mr. Walker.

Mr. WALKER. There is absolutely no question that we need to move to a new pay-base system in the federal government. Right now, if you look at the executive branch, approximately 85 percent of all annual increases for individuals who are not promoted is on auto pilot. It is based on the passage of time, the rate of inflation and your geographic location.

And there is absolutely no question that something has to be done to increase the percentage of pay that is based upon performance. At the same point in time as we point out in our statement, it is critically important to have the modern, effective and credible performance-appraisal systems in place and other safeguards in place to make sure that you can do that in a fair and equitable fashion.

Unfortunately, they don't exist in a vast majority of the federal government, including at DOD. Now they can exist. But that is why I suggest possibly, you know, employing an alternative approach, which is in my testimony that could be employed, not only by DOD, but other departments and agencies to the extent that they can make the business case.

Mr. HEFLEY. Mr. Harnage, do you see a need for pay-for-performance?

Mr. HARNAGE. I think the current pay system is a pay-for-performance. It is just not utilized the way it was designed to utilize. This automatic pilot that people talk about was not intended to be on automatic pilot.

Of course, we have to understand that the annual pay increase is not really a pay increase. It is a cost-of-living adjustment so that the people that are working for the federal government don't have less buying power this year than they had last year.

But for your information, the current federal employees have no more buying power than they had in 1975. Today they have no more buying power than they had in 1975. So this is not on automatic pilot. It is crawling along the way.

Second, the step increases that people keep referring to are not supposed to be on automatic pilot either. Nobody is saying there is only 10 of them. And it takes 18 years to go all the way through the process. You don't get one every year. The first three you get every year. The next three you get every two years. The next one you get every three years. So it takes 18 years to go through that.

But every person that gets a step increase, the supervisor certifies that they are of an acceptable level of competence. What is put on auto pilot is the supervisor understands that the employees are 18 percent underpaid already and to deny that step increase is not fair.

It may be on automatic pilot, but it is not supposed to be. It is a performance-based increase. If you are of an acceptable level of competence, if you are performing the work, you get the step increase. If you are not, you are supposed to be denied.

Mr. HEFLEY. Well, what do you do for the guy that is outstanding?

Mr. HARNAGE. Give him an outstanding.

Mr. HEFLEY. Not acceptable level of performance, but outstanding performance?

Mr. HARNAGE. You have three ways of going. One, is you can give him an outstanding performance evaluation, which gives him five years credit if there is a reduction in force. You can give him a bonus. You can give him a quality step increase. In other words, you can jump him a step under the current system. They don't utilize those things now.

If you look at the study that OPM made, they found that less than one percent of the bonus authority in the federal sector was being utilized.

So there are means there for giving high performers more money, either through a bonus, either through an evaluation and some recognition, a cash award or through a step increase called a quality step increase.

Mr. HEFLEY. Mr. Walker?

Mr. WALKER. I think it is important to note that there are some, you know, performance-based elements in the current system. There is no question about that.

Mr. Harnage is right to say there is supposed to be a certification before you end up getting the step increase. You can get a quality step increase, as well. There also is a possibility for spot awards or—it is cash-based compensation, but not increasing your base pay, if you will.

However, I stand by what I said. Approximately 85 percent of all the pay increases in the executive branch in any given year are across the board.

And the annual increase is a combination of several things: Number one, inflation adjustment to protect purchasing power; number two, intended amortization of the pay gap between the private sector and the public sector. But even that treats the government as one-size-fits-all as if every position at every level has the same pay gap, which is not the truth. And third, a locality adjustment.

So about 85 percent—it doesn't make any difference what your performance is. It needs to be lower than that. We need to protect people against the erosion of purchasing power if they are performing at an appropriate level. We need to consider geographics. But we need to have more of a performance basis, more based on skills and knowledge than we have right now.

Mr. HEFLEY. Mr. Walker, I have run out of time, I am sure, although I don't see the light, but Mr. Harnage indicated we are giving the Secretary of Defense unprecedented and perhaps dangerous authority if we pass the package as it is now. Do you agree with that, that we are going too far with that authority?

Mr. WALKER. Number one, I think you would need to incorporate a number of safeguards if you are going to consider this package on its own merits.

And second, as I stated before, I think with regard to broadbanding and pay-for-performance, it would be more prudent and more appropriate to address that on a broader basis whereby you would authorize DOD and other departments and agencies that they could adopt such approaches if they satisfy certain statutory standards in advance that OPM would certify to within prescribed

time frames. That way, you provide reasonable flexibility, you incorporate adequate safeguards and you prevent the further Balkanization of the civil service in the executive branch.

Mr. HEFLEY. Thank you very much, both of you.

The CHAIRMAN. Thank you very much.

Mr. Taylor.

Mr. TAYLOR. I want to thank both of you gentlemen for being here.

Mr. Walker, I am pleased that you did this reviewing of the civilian personnel system. I am curious if the GAO took a similar look at the acquisition reforms that are being proposed.

Mr. WALKER. We are looking at them now. And as you know, we didn't know about this hearing until yesterday afternoon very late.

Mr. TAYLOR. Yes. Neither did I, sir. So welcome to the club, sir.

Mr. WALKER. I am not saying we are alone.

Mr. TAYLOR. Okay. When do you think you might have that? Because as you know, we are on a very tight schedule here.

Mr. WALKER. We can have some observations as soon as tomorrow on that and provide them up.

Mr. TAYLOR. Okay.

The CHAIRMAN. On that point, Mr. Taylor, were you asking for examples of the safeguards that Mr. Walker referred to?

Mr. TAYLOR. I didn't. But that would be a smart thing to ask for, Mr. Chairman.

The CHAIRMAN. Yes. I would like to have a——

Mr. WALKER. Be happy to do that, Mr. Chairman. And we will do both. One is the safeguards with regard to the human capital. The other is preliminary observation on the proposed acquisition reforms.

The CHAIRMAN. Okay.

Mr. WALKER. And if it is okay, Mr. Chairman, I will include something in there that you mentioned before. And that is examples of reports that we think are critical for us to do our job for the Congress and the country that hopefully Congress would not rescind.

The CHAIRMAN. Excellent. Go ahead, Mr. Taylor.

Mr. TAYLOR. Thank you, sir. I really am a bit taken aback at the lack of a public outcry for the removal of the nepotism prohibitions. And although I kind of scanned your highlights, I would welcome your thoughts on that. I don't know of any business that is well-run that allows that.

I certainly don't know of any city or state government that is well-run that would allow that. And I don't think the Department of Defense with its huge \$400 billion budget and quite possibly unrestricted acquisition rules that give the Secretary total discretion in what to buy and where to buy it. I would like to hear your thoughts on the nepotism sections.

Mr. WALKER. Well, first, I sat through the first panel. And I think what we have here is a situation where there is a lack of specificity in many regards. There are a lack of adequate safeguards, potentially including in this area. What I heard the former panel say was that they did not intend for certain things to be addressed. And that may be well the case. I mean, I think they are people of integrity.

On the other hand, I think you need more specificity in a law in order to make sure that since you are passing a statutory change that not only applies to this Secretary, but every Secretary that there is a degree of specificity that hopefully the Congress can get comfortable with no matter who the Secretary is and no matter who the players are that are involved.

The CHAIRMAN. And maybe you could help us with that, Mr. Walker, in your presentation. I know Mr. Chu said he thought it was covered by the section that he cited. But he said, as a lawyer, he couldn't vouch for it.

Mr. WALKER. Yes.

The CHAIRMAN. So let's make sure.

Mr. WALKER. Yes.

Mr. TAYLOR. Mr. Walker, I am going to put you on the spot.

We had a conversation prior to the beginning of this hearing or the second portion of this hearing where you made some comments based on my comments earlier about the construction with respect to later enacted laws.

Since you did have the time to sit through that first hearing and apparently took the time to look at that, I would welcome publicly your thoughts on that.

Mr. WALKER. Well, let me first say that I am not a lawyer. Although I have had reason to have to look at a lot of constitutionality issues recently. And on its face, that would raise serious constitutional issues, I think. The fact that there would be an attempt to say that the Congress couldn't at some point in time in the future change the law dealing with an area that, presumably, under Article I of the Constitution, is within your prerogative.

Mr. TAYLOR. Based on your experience at the GAO, if that were indeed the case, would the Supreme Court automatically strip this? How would that be removed from the law?

Because it is my understanding that the only way it could be removed would be for a member with his limited office allowance, having been the victim of this section of the law and trying to change it, would actually have to somehow, within the limited resources of a Member of Congress, raise a constitutional challenge.

On the other side, you have the Secretary of Defense with a \$400 billion budget who is opposing you and who time is on his side since the acquisition that he has made that you think is unconstitutional or that you tried to prevent in the whole time you are trying to get a decision from the Supreme Court it continues to take place.

Mr. WALKER. Well, it would take time. It would take a considerable amount of resources.

And obviously, even if the Supreme Court were to rule that it was unconstitutional, the question is what has happened during that period of time. What type of actions have occurred, some of which, you know, the horse is out of the barn. You can't reverse it. And so, therefore, they would have to, to a certain extent, deal with it on a prospective basis. And you may not be able to remedy what has already occurred.

Mr. TAYLOR. Okay. If I may, Mr. Walker, while I have you here, I would—and Mr. Harnage, please don't take offense that I am ig-

noring you; the first portion of this is something of grave interest to me.

Mr. HARNAGE. I understand.

Mr. TAYLOR. I would hope that as the folks from GAO look at the acquisition portion of this presentation they would give serious consideration to that section and give us their thoughts in writing on that section.

Mr. WALKER. Well, I will talk to my general council who, as you know, we do work for the Congress on legal interpretations. I don't know if it is possible to get an opinion on that shortly. But we can at least provide you some feedback on it.

Mr. TAYLOR. Okay. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Okay. I thank the gentleman. I want to inform the committee we have apparently two 15-minute votes coming up. We have our lessons-learned hearing waiting in the ante room.

I would ask my colleagues if it is possible that we could submit the last questions for the group, because Mr. Walker is going to have to leave momentarily anyway. If we could submit our last questions in writing with the assurance that we would have an answer back, say, by tomorrow for the last members who didn't get a chance to ask a question.

Mr. ABERCROMBIE. Mr. Chairman.

Mr. HARNAGE. As long as you don't do what DOD did and give us a little bit of time.

The CHAIRMAN. Okay.

Mr. ABERCROMBIE. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Abercrombie.

Mr. ABERCROMBIE. In that regard, Mr. Walker, are you prepared to answer at some length or such length as is appropriate questions concerning the Marine Mammal Protection Act and other elements that are in this bill, as well? I know the concentration has been on personnel matters. But the transformation hearing today says that, you know, that you are here in your capacity as comptroller general.

Mr. WALKER. Correct.

Mr. ABERCROMBIE. But there are a lot of questions with regard to the Endangered Species Act and other elements in this document before us which the GAO has commented on in other contexts. And I would be submitting questions along those lines.

Mr. WALKER. Mr. Abercrombie, we will make best efforts to be responsive to the Congress in all areas within our authority within reasonable time frames. So, yes. I mean, I would have to talk to my people about that anyway.

Mr. ABERCROMBIE. Okay, good. It doesn't have to be tomorrow. But that is where my questions are going to be. That is appropriate, Mr. Chairman?

The CHAIRMAN. Sure. Absolutely.

Mr. ABERCROMBIE. Okay.

The CHAIRMAN. Absolutely.

Mr. ABERCROMBIE. Thank you.

The CHAIRMAN. And Mr. Abercrombie, also I would like to get you married up with up the naval leader, the undersea guy who has been working the marine-mammal issues. I can't remember his

name right now. But get that from the staff. He briefed us some time ago. And if you think there is an accommodation that can be made, I would like to see it and see if they would agree on that.

So why don't we try to hook you up with him tomorrow?

Mr. ABERCROMBIE. Sure.

The CHAIRMAN. Now Mr. Snyder had a question?

Dr. SNYDER. Just a brief one. Mr. Chairman, I would ask you—I mean statements for the record—and I am going to submit one to General Meyers. But a lot of what we saw here today was an exchange and follow-up questions that take you down—and you were probably the leader of that.

And I would ask you to consider, depending on where we are at with this process, of bringing these folks back. We had poor attendance today because the thing went late. I think particularly our friend from GAO has stirred things up a lot with his comments.

And I think there may be other members that would like to participate more in this discussion and ask you to consider bringing him back or bringing both back at a later time prior to markup.

The CHAIRMAN. Okay. Okay. We have the military-personnel aspect tomorrow. But I would be happy to if Mr. Walker and Mr. Harnage want to come back to make sure we get the last few answers here on our hearing tomorrow. Can you gentlemen be with us tomorrow?

Dr. SNYDER. Well, Mr. Chairman—

The CHAIRMAN. We are here to work that.

Dr. SNYDER. Mr. Chairman, our last vote is coming up here in about 20 minutes. And so, a whole lot of members, you know, who are heading for the airports. I mean, that is not the kind of robust discussion that, you know, giving people fair notice it is going to be 10 o'clock Wednesday or 2 o'clock Thursday or whenever it is where people can plan schedules.

You know, I don't know what kind of attendance we are going to have on a Friday morning with no more votes.

The CHAIRMAN. No, we already have a hearing set for tomorrow, Dr. Snyder. So what I was thinking of doing is, since that is already set, and that has been noticed, is seeing if these witnesses would come back and either precede or succeed the witnesses we have tomorrow.

Mr. ABERCROMBIE. Mr. Chairman.

The CHAIRMAN. So gentlemen, can you make it if we needed you back around noon tomorrow?

Mr. WALKER. I will do what I have to, Mr. Chairman.

The CHAIRMAN. Mr. Harnage.

Mr. HARNAGE. Yes. I told you I was very cooperative.

The CHAIRMAN. Okay. But in the least, let's make sure we will have written answers to any questions that members still have here.

Mr. ABERCROMBIE. Mr. Chairman.

The CHAIRMAN. How are you doing, Mr. Walker? You are looking nervously at your—

Mr. WALKER. Don't worry, Mr. Chairman. You will know when I am nervous.

The CHAIRMAN. Okay.

Mr. Abercrombie, go right ahead.

Mr. ABERCROMBIE. Mr. Chairman, just in conclusion because we are going to the next hearing. You have heard, I think, not reservations about trying to come to grips with the issues that are involved here, but certainly reservations on a bipartisan basis here today about whether this is appropriate to be incorporated into the authorization bill.

And my inquiry of you with all respect, both personally and institutionally: Would you be willing to consider perhaps dealing with this issue as a separate issue from the authorization as a result of the hearing today and your contemplation of it, or at least willing to think about it?

The CHAIRMAN. Well, Mr. Abercrombie, I have reflected on this issue and on the relationship that the Department of Defense and some of the issues and some of the problems that are acknowledged to exist in this area.

I think we can do a good job of putting this thing together, finding some common ground, agreeing with good points and disagreeing with points that we don't think are good. And especially if we have more feedback from Mr. Walker on safeguards, I think we can do the job in this round.

I would just say to my friend, I have been here 22 years. In theory, we should have solved these problems of the difficult time that it takes to qualify federal workers for a job, the difficulty in not being able to hire people quickly when you need people and other difficulties that have been brought out that both sides concur exist.

So we haven't been able to do it in the past. We have a window to be able to do it now, and I am inclined to move ahead and try to do it.

Mr. ABERCROMBIE. Okay.

The CHAIRMAN. And having said that, I would be happy to work with you and get you hooked up with, for example, on the Marine Mammal Act and get it done.

Mr. ABERCROMBIE. I will tell you what, then. How about I mark up and off all the sections that I think are difficult, and then we will just deal with the others? How is that?

The CHAIRMAN. I think that will be a fairly short list that we have left.

But Mr. Abercrombie, I do want you to hook up with the marine mammal guy, because we had quite an earful from him the other day.

I think we have about four minutes left.

Gentlemen, thank you for your contribution to this important debate. Let's keep working this thing. We look forward to your work product here tomorrow. And Mr. Harnage, you have the same invitation Mr. Walker has on safeguards that you would like to see on these provisions, sir.

Mr. HARNAGE. Okay.

The CHAIRMAN. So we will be here tomorrow. Same place here. [Whereupon, at 3:11 p.m., the committee was adjourned.]

A P P E N D I X

MAY 1, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MAY 1, 2003

Opening Statement
The Honorable Duncan Hunter
Chairman, Committee on Armed Services
May 1, 2003

Today the committee begins a two-day review of the Defense Transformation for the 21st Century Act. This package of reforms is being presented by the Administration as necessary to fundamentally change how the Department of Defense adapts to new security challenges and fulfills its critical missions.

It is my intention to consider as much of this important package as possible for incorporation in the fiscal year 2004 defense authorization act which we will begin to mark-up next week.

This proposal involves significant changes to military personnel, civilian personnel, training, and acquisition policies. This morning we will focus on the civilian personnel and acquisition policy provisions and tomorrow we will cover the military personnel reforms.

The environmental reform provisions of the proposal have already been the subject of hearings and previous scrutiny. The Department has made what I believe is a compelling case that the current inflexible framework for compliance with Federal environmental laws result in an increasingly adverse impact on military readiness. The Readiness Subcommittee held an extensive hearing in March, during which these issues were highlighted, so we will not examine that portion of the transformation proposal today.

We will hear from two panels this morning. The first is comprised of two senior Department of Defense officials:

The Honorable David S.C. Chu
Under Secretary of Defense for Personnel and Readiness; and

The Honorable E.C. "Pete" Aldridge
Under Secretary of Defense for Acquisition, Technology and
Logistics

The second panel consists of:

Honorable David M. Walker
Comptroller General of the United States; and

Mr. Bobby L. Harnage
National President
American Federation of Government Employees, AFL-CIO

One of the most important and possibly controversial elements of this package is the creation of a new National Security Personnel System. This proposal is being advanced in order to allow the Department to develop a mission-based, total force system of management for defense civilians that will support national security, while retaining civil service values and protections related to federal worker pay, evaluation, retention, and grievance procedures.

This more flexible approach has been endorsed by the National Commission on the Public Service, also known as the Volcker Commission, who concluded that key parts of the government are operating with outmoded rules, pay inequities, and poor systems for recruiting top-notch talent.

The Department is proposing to use the requested authority to develop new personnel regulations that would allow switching to a pay-banding system, implementing a separate pay structure for managers, modifying job classifications, new hiring authorities, changed pay administration, pay-for-

performance evaluation systems, and reduction-in-force procedures. Most of these personnel reforms in the proposal mirror those included in the legislation that created the Department of Homeland Security.

Also in this proposal are a series of miscellaneous provisions intended to grant the Department more latitude in managing its acquisition system. The Department's stated objectives are to increase flexibility, streamline rules, cut cycle time, and adopt commercial practices. The committee will carefully evaluate each of these proposals with an eye toward providing the Department with an appropriate measure of necessary flexibility but without also jeopardizing the ability of this committee and Congress to obtain information that will enable us to continue our constitutional oversight role.

These are all critically important goals that deserve the careful consideration of our members, the committee, and Congress. Accordingly, I look forward to today's discussion and in working through these issues so that we can arrive at a balanced package of management tools to help the Department better execute its paramount mission to keep our nation secure in a very uncertain and turbulent world.

At this time, I'd like to recognize the Ranking Member of the Committee, Mr. Skelton, for any statement he may wish to make.

[Opening Statement of Mr. Skelton]

We have received written testimony from a few outside organizations that are interested in these proceedings. I request unanimous consent that we include their written statements in the record. Without objection, so ordered.

Since we have multiple panels to get through tonight, I ask that each of the witnesses summarize his testimony after which we will permit Members of the Committee to ask questions.

Secretary Chu, the floor is yours.

**Opening Statement for The Honorable Ike Skelton
Hearing on the Defense Transformation for the 21st Century Act
May 1, 2003**

Thank you, Mr. Chairman. I join you in welcoming our witnesses and thank them for coming on such short notice.

I have to mention at the outset my serious concern with the situation that has brought us to this hastily-scheduled hearing today. Congress received this 200-page bill two weeks ago as we left town for the spring recess. There are 50 provisions included in this bill, and its scope is enormous—from civilian and military personnel management, to the organization of the Department, to the mechanisms by which Congress oversees major weapons programs, to extensive waivers from a host of environmental laws. It is no understatement to say that this bill seeks to make the most sweeping changes to the Defense Department since Goldwater-Nichols.

But, unlike with the Goldwater-Nichols bill, this committee will not hold a series of hearings and engage in careful, bipartisan drafting. Where Goldwater-Nichols was developed over a period of four years, this committee will have had less than three weeks to consider these sweeping changes before we must vote. None of us wants to see reforms wait years to be adopted, but neither is three weeks and a few hearings enough time and consideration to make smart decisions about the best course for the Department of Defense and the country. The implications of many of these proposals are profound, and I think I speak for everyone on this side of the aisle in saying simply that it cannot be in the national interest to rush to judgment given the major changes sought here.

I have serious reservations about the substance of many of these proposals. I worry about the removal of protections on the hundreds of thousands of civilian employees who are critical to protecting our national security. I worry about the possible politicization of the most senior levels of our military leadership. I

worry about the damage done to long-standing environmental laws and to Congress' oversight of how our defense procurement dollars are spent. I worry about the Defense Department taking over the foreign military assistance function that should be performed by the Department of State. Most importantly, I worry about the abrogation of congressional oversight and the ceding of authority to another coordinate branch of government in a way that diminishes the checks and balances contemplated by the separation of powers provided in the Constitution.

As you all know, I have long been an advocate of our military strength and of the men and women who embody that strength in their service. I have supported many of this administration's proposals for enhancing our national security and I have worked side-by-side with my chairman and friend, Mr. Hunter, on many joint efforts. However, I cannot support this approach, which has us acting so hastily on such complex, multi-faceted legislation with such far reaching consequences.

As much as I appreciate Mr. Hunter's gesture of permitting this hearing, I shouldn't have had to ask for it. The committee should have a series of hearings, over time, that culminate in serious, carefully considered legislation that is in the best interests of the Department of Defense and which does this committee proud. If we put these provisions in the defense authorization bill we mark up next week, that will not happen, and I believe we will all regret it.

I am also personally saddened by the striking departure from the long-standing bipartisan tradition which has characterized this committee's way of operating for so many years. I hope we can reclaim it, for once we go down this road, it will be very difficult to turn back the clock. I urge that we find an alternative and bipartisan way of proceeding.

I look forward to the explanations of our witnesses. Thank you, Mr. Chairman.

**FOR OFFICIAL USE ONLY
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HOUSE COMMITTEE
ON ARMED SERVICES**

The Honorable David S. C. Chu
Under Secretary of Defense for Personnel and Readiness

Before the
Committee on Armed Services
U.S. House of Representatives

On the Proposal for a National Security Personnel System
in the Department of the Defense

May 1, 2003

Mr. Chairman and members of this distinguished Committee. Thank you for the opportunity to be here today, and for your unwavering support of the men and women who serve in our Armed Forces.

We are currently engaged in a historic deployment of American forces. This makes the present time the appropriate time to make defense personnel and systems agile and responsive.

On March 13th, I provided my personnel overview to members of the House Armed Services Subcommittee on Total Force. At that time, my testimony was conceptual in nature, as the transformation bill hadn't yet been delivered to the Congress. Today, however, I am prepared to address specifics of those provisions that are necessary to achieve the goals of personnel transformation and to assure national security.

Modernizing and Streamlining Officer Management

The Secretary of Defense has underscored the need for greater flexibility in managing job tenure and career length for general and flag officers with a view toward longer time in a job and longer careers. Moving senior officials through career paths, as private sector organizations do, provides experiences that develop leadership and management skills. Present laws frequently operate against those objectives.

The transformation bill also contains several provisions that streamline joint officer management. These include providing the Secretary of Defense with the authority and discretion to define the standards for joint tour lengths and to recognize situations in which officers should receive full joint credit; to increase greater flexibility in assigning officers following graduation from joint education institutions; and to modify length of joint duty assignments to restore equity and reduce waivers.

Creating a Continuum of Service

It is essential that the Reserve components be part of this transformation. This has certainly been evident in Operation Iraqi Freedom, and was the conclusion of the recently completed QDR-directed study, "A Review of Reserve Component Contributions to National Defense." The study underscored a need to facilitate a "seamless flow" throughout a military career that may span both active and reserve services; that is, a career that spans a "continuum of service."

Operating within a continuum of service paradigm necessitates simplifying the rules for employing Reserve Component members, enhancing combined Active Component/Reserve Component career development, and creating conditions for the seamless flow of personnel from active to reserve and reserve to active over the course of a military career. Barriers to such service must be minimized, thereby eliminating the need for the workaround solutions often in effect today. A more flexible reserve compensation and benefit system can serve to encourage volunteerism.

Creating a National Security Personnel System

It was my privilege to discuss this subject earlier this week with the House Governmental Reform Subcommittee on Civil Service and Agency Operations, chaired by your colleague, Rep. Jo Ann Davis. We had a vigorous discussion. I would like to take this opportunity to provide some brief background and to address a number of issues that were raised at that hearing.

I could tell you what a National Security Personnel System might look like. But I think the words of labor and management officials at the Army's Research Development and Engineering Center (RDEC) at Redstone Arsenal will speak more clearly. Last summer, the RDEC civilian personnel management demonstration project, begun in 1997, came up for a five-year renewal. Jim Brothers, president of the American Federation of Government Employees Local 1858 said: "By far, the majority of the employees have indicated to me, both

privately and in called meetings at RDEC, that they wanted it renewed. I'm talking about 98 percent of them did. Only 1 out of 50 opposed it."

Key features of the demonstration project include pay banding, a pay for performance management system, training for degrees, advanced in hire pay setting, sabbaticals, a voluntary emeritus program, extraordinary performance pay, local intern accelerated pay setting and a distinguished scholastic achievement appointment authority. These are the kinds of flexibilities that we seek to expand across the department in our proposal for a National Security Personnel System. These are also the kind of flexibilities that a majority of American Federation of Government Employees Local 1904 voted last month to be involved with at the civilian personnel demonstration project at the Army's Fort Monmouth installation in New Jersey.

Some of the most persistent questions at the hearing earlier this week focused on the urgency of our proposal. I was asked, why do we need NSPS now? Shouldn't we wait to see how the Homeland Department handles its new flexibilities? Shouldn't DoD wait for governmentwide flexibilities to be proposed? The basic answer is that our national security responsibilities do not allow us to wait for others to act. Some are looking for a "burning platform" argument to determine if support for this proposal is justified. May I say, that we should not wait for disaster to strike. There are plenty of reports, studies, and commentaries over the last decade to support the case that the civil service system of today is broken. And it is time to heed them.

We have a different way of doing business than other agencies – we fight wars as a total force. No other agency has that particular arrangement and no other agency-wide civilian workforce or civilian personnel system exists in that context, that is, where the primary function of the civilian workforce is to support the military in accomplishing the mission: to protect and defend the United States from foreign aggression and international terrorism. We have one, very urgent job in defense today: to transform the way we fight and the way we manage. That is what the Administration's proposal "The Defense Transformation for the 21st Century Act" is about. I should note that the National Security Personnel System is the first pillar in that proposed legislation.

The tremendous achievement of our armed forces, that the Secretary is now recognizing in Iraq, was the result of new thinking about fighting. Some have cited our achievements in Iraq as evidence that nothing is broken in the civil service component of the Department's total force. Nothing could be further from the truth. The fact that our civilians and the system that supports them were and

remain able to function in spite of the constraints of the present civil service system is a testament to their immense dedication and willingness to take whatever extraordinary efforts were (and are) necessary to support our national security objectives and achieve the mission. It would be fundamentally wrong to use that dedication to attempt to justify taking no action to fix a broken system.

We seek new thinking and the same kind of transformation in the management of our civilians as we are pursuing in the rest of the total force. We have decisions to make about that civilian force. We need to recruit a new generation of employees to replace the baby boomers. In addition, as I have previously indicated in testimony, we have some 300,000 positions that are currently occupied by military personnel. We need to free those personnel to do warfighting tasks. Shall all, some, or none of those 300,000 be contracted out? Given the inflexibility of the current civilian personnel system and the fragmentation of personnel authorities in the Department, we are faced with a very difficult choice.

We faced the same situation with our science and technology reinvention laboratories, which needed the capability to hire and assign more flexibility. Congress granted that authority in section 342 of the National Defense Authorization Act for Fiscal Year 1995, as amended, which presently covers some 30,000 defense employees. These flexibilities have greatly assisted the labs and testing centers in recruiting and retaining personnel.

The specific special authorities available to the labs (under demonstration project authority) include: the Secretary of Defense exercising the authorities of the Director of the Office of Personnel Management under demonstration project authority; near real time hiring authority; distinguished scholar hiring authority; a pay for performance system (where portions of the annual increase are put 'at risk' to pay top workers); pay banding (which enables management to increase pay without having to reclassify duties and complete jobs); and a voluntary emeritus program. These are the same types of flexibilities that would be available to DoD under the NSPS. The way to retain good people and prevent outsourcing is to give them a better system of management, which is what we are proposing in NSPS.

The Department would prefer to have the option of choosing whether to utilize and deploy inhouse capability that can be recruited quickly, is at hand, high performing, and agile - rather than to be limited, by necessity, to outsourcing, which may or may not be available to deliver the right capability to the right place

at the right time, with the quality of service needed. Of equal importance is the additional and critical effect of having a better-blended total force organization. An agile military personnel system does not blend well with a rigid civilian personnel management system.

Civil Service Protections Intact

We have heard a number of allegations that NSPS would remove critical protections from civil servants and allow all manner of politicization and favoritism. None of that is true, for one simple reason: NSPS requires adherence to merit system principles and the explicit prohibitions against prohibited personnel practices such as nepotism, retaliation for whistleblowing, and politically based personnel decisions. Those are the same provisions and the same protections that were legislated into the Homeland Department and they are in this bill, too.

Transformation Readiness

The Congress has graciously granted a number of civilian personnel management flexibilities to the Department over the years. We now have nine ongoing personnel demonstration projects. We also have several alternative personnel systems within the Department. These flexibilities have been used extensively and evaluated positively. It is time to move forward in expanding them to the rest of the Department. The Congress and the Administration, past and present, have looked to DoD for innovation (in the first buyouts) and for downsizing (the Department took the majority of cuts within the government in the 1990s). We are ready to move forward again.

Comparison to Homeland Security Provisions

NSPS is based on the Homeland civilian personnel management model – with three differences. We believe that the Homeland legislation should be viewed as a starting point, but certainly not the end of personnel management flexibility in the government. In this context, we view the authority to “waive” selected portions of title 5 as an opportunity to fix recognized problems occurs. We will not – as some have intimated – as the authority to take away employee rights and benefits, but rather as the authority to create a more cohesive system of personnel management.

National Security

We propose a waiver for national security reasons. The purpose of the regulatory waiver is to ensure that the role of the Secretary of Defense in advising

the President on matters involving the defense capabilities and activities of this nation remains intact and unimpeded. The bottom line is that the Department of Defense must be able to accomplish the missions given it by the President. We can tell you that we look forward to working closely with the Director of the Office of Personnel Management and her staff in developing a National Security Personnel System. She is our partner.

Should there be a difference of view between the Secretary and the Director on a matter essential to the national security, the legislation provides that the Secretary's authority to invoke the waiver is subject to the direction of the President of the United States. This provides a check on the ability of the Secretary of Defense to override OPM's position. Thus, the Department does not have the ability to determine unilaterally what it may wish to do in the area of civilian personnel management.

National Level Bargaining

We propose a statutory authority to bargain at the national level. We need the authority for the Department to bargain at the national level on matters affecting employee working conditions (as well as to collaborate with employee unions in planning, developing, and implementing the civilian personnel system established under NSPS). Let me be very clear. The Department of Homeland Security has the same basic authority with respect to federal labor relations – to work with a group of employee representatives in developing and implementing its civilian personnel system, and to waive the current way of doing the labor relations business.

The Department of Defense, given its nearly 1,400 bargaining units, would be unable to implement a new system of personnel management without the ability to bargain at the national level. We do not propose to eliminate local bargaining units. We propose working with labor unions at a national level. The authority to waive chapter 71 (given to the Department of Homeland Security and included in our proposal) would have allowed us to establish national bargaining by regulation. We propose to do so in statute to show the Department's strong commitment to labor relations and collective bargaining. We would expect the national unions to gather the local issues and bring them to the table as we work through the establishment of the new system.

Staffing, Pay Administration, and Training Flexibility

We propose to be allowed to waive three additional areas of title 5, primarily those having to do with staffing, training, and certain pay administration and allowance provisions. The Department cannot recruit the people it needs to replace its many retirement eligible employees, pay them properly, or train them appropriately without these flexibilities. The Department of Defense simply cannot be competitive in the marketplace without flexibilities for hiring. We could not implement all the new flexibilities we have in our demonstration projects without these waivers. These waivers provide such flexibility to the Department as a whole.

The authority to revamp (or “waive”) chapters 55 and 59 of title 5 would allow DoD to fix urgent pay problems. The current law penalizes some employees on overtime. The result is that these employees earn less in overtime than their normal take home pay. Current law with respect to compensatory time, night pay, standby, irregular and hazardous duty differential, availability pay for criminal investigators, pay for Sunday and holiday work, premium pay, danger pay allowances are all needlessly complex and administratively burdensome. Our goal is to create a flexible and administratively workable pay system that will not needlessly penalize employees because of its rigid statutory constraints.

I would like to offer the Committee the opportunity to enter into the record the April 2, 2003 Federal Register notice that I brought with me today to demonstrate where we would use a majority of the flexibilities if granted the authority to extend them beyond the demonstration projects.

Process

Some have raised questions about the speed with which this proposal has been presented to the Congress. Defense transformation has been a central theme and tenet of this Administration before and since taking office. The Department has been at the forefront of civilian personnel management innovation for decades. Last year, the Administration submitted legislation that would have provided authority for an alternative personnel system for the Department of Defense. The intention to develop a more coherent and flexible system of personnel management as a key part of the Department’s transformation efforts has been briefed in concept to Members of Congress and staff over the past several months. In fact, the regulatory detail of the NSPS – known as our Best Practices initiative – was briefed to the staff of the civil service subcommittees in the House and Senate, majority and minority, last fall and earlier this year. The legislation was submitted on April 10, but the concept and the specific regulatory approach that

we propose to take with the National Security Personnel System have been well briefed over the last three months.

The process that really presses all of us is the incredible urgency of national security issues at home and around the world, and the uncertain battles that we may face in the future, with the need for perhaps far different capabilities. That means we must improve today's capabilities in the near term, not the long term. We know that the Congress fully understands the challenges that we face and we appreciate your consideration of our proposals to address those challenges.

Opening Statement for Congressman Jim Cooper

House Armed Services Committee

Hearing on the Defense Transformation for the 21st Century Act

Thursday, May 1, 2003

Mr. Chairman, this Committee is being asked to approve the biggest changes in Pentagon civilian personnel policies in at least 50 years, after barely any notice and this one rushed hearing. If several of us had not complained, not even this one rushed hearing would be taking place.

Every one of DoD's over 600,000 employees will be seriously affected, all over the world. When these employees ask us what we did to them, we won't be able to tell them because we have not been given that information, even in this hearing. The Pentagon is not proposing a detailed personnel plan for us to approve. The Pentagon is asking for almost complete and absolute discretion in establishing such a plan, essentially a blank check. Even those like myself, who might be willing to trust Secretary Rumsfeld with such sweeping and unprecedented power, should realize that future secretaries will be offered the same blank check under this legislation.

Don't take my word for it. The GAO testified this week that the DoD personnel plan "does not provide an adequate justification for the significance of the proposed changes." The GAO also warns us that, "moving too quickly or prematurely at DoD ... can significantly raise the risk of doing it wrong."

When those 600,000 employees ask us what we did to them, they'll probably also ask why, after the great success of the Iraq War and Afghan War, we thought such sweeping changes were necessary, since Secretary Rumsfeld's entire team seems to have functioned so well under existing laws.

When those 600,000 DoD employees ask us what we did to them, they'll ask why the Pentagon had to act so quickly that they did not even talk to the union which legally represents almost 200,000 of them.

When those 600,000 DoD employees ask us what we did to them, we'll have to admit that we spent far more time legislating on weapons systems. Members of this Committee have strong feelings on the machinery of war. We have dared to question and change some of the Pentagon's requests and priorities. But barely a thought is being given to the civilian staff at our military bases who helped us win the Iraq war.

I know that we all have terrific respect for Secretary Rumsfeld and the great job he and his team have done. But I am deeply worried, as is the Gentlelady from Virginia, Mrs. Davis,

the only other member of this committee to also serve on the Civil Service Subcommittee of Government Reform, that we have not had the time to responsibly legislate on this issue.

It is my understanding that the Senate Armed Services Committee will not be including civilian personnel reform in its markup, but that it will be offered as separate legislation so that it can be examined on the merits. It would suggest that this Committee do likewise.

Mr. Chairman, the credibility of this Committee is too important to be wasted on rubber stamping a blank check.

United States General Accounting Office

GAO

Testimony

Before the Committee on Armed Services,
House of Representatives

For Release on Delivery
Expected at 9:00 a.m. EDT
Thursday, May 1, 2003

DEFENSE TRANSFORMATION

DOD's Proposed Civilian Personnel System and Governmentwide Human Capital Reform

Statement of David M. Walker
Comptroller General of the United States



GAO-03-741T

May 1, 2003



Highlights of GAO-03-741T, testimony before the Committee on Armed Services, House of Representatives

DEFENSE TRANSFORMATION

DOD's Proposed Civilian Personnel System and Governmentwide Human Capital Reform

Why GAO Did This Study

DOD is in the midst of a major transformation effort including a number of initiatives to transform its forces and improve its business operations. DOD's legislative initiative would provide for major changes in civilian and military human capital management, make major adjustments in the DOD acquisition process, affect DOD's organization structure, and change DOD's reporting requirements to Congress, among other things.

DOD's proposed National Security Personnel System (NSPS) would provide for wide-ranging changes in DOD's civilian personnel pay and performance management, collective bargaining, rightsizing, and a variety of other human capital areas. The NSPS would enable DOD to develop and implement a consistent DOD-wide civilian personnel system.

This testimony provides GAO's preliminary observations on aspects of DOD's legislative proposal to make changes to its civilian personnel system and discusses the implications of such changes for governmentwide human capital reform. This testimony summarizes many of the issues discussed in detail before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives on April 29, 2003.

What GAO Found

Many of the basic principles underlying DOD's civilian human capital proposal have merit and deserve serious consideration. The federal personnel system is clearly broken in critical respects—designed for a time and workforce of an earlier era and not able to meet the needs and challenges of our current rapidly changing and knowledge-based environment. DOD's proposal recognizes that, as GAO has stated and the experiences of leading public sector organizations here and abroad have found, strategic human capital management must be the centerpiece of any serious government transformation effort.

More generally, from a conceptual standpoint, GAO strongly supports the need to expand broad banding and pay for performance-based systems in the federal government. However, moving too quickly or prematurely at DOD or elsewhere, can significantly raise the risk of doing it wrong. This could also serve to severely set back the legitimate need to move to a more performance- and results-based system for the federal government as a whole. Thus, while it is imperative that we take steps to better link employee pay and other personnel decisions to performance across the federal government, how it is done, when it is done, and the basis on which it is done, can make all the difference in whether or not we are successful. One key need is to modernize performance management systems in executive agencies so that they are capable of supporting more performance-based pay and other personnel decisions. Unfortunately, based on GAO's past work, most existing federal performance appraisal systems, including a vast majority of DOD's systems, are not currently designed to support a meaningful performance-based pay system.

The critical questions to consider are: should DOD and/or other agencies be granted broad-based exemptions from existing law, and if so, on what basis? Do DOD and other agencies have the institutional infrastructure in place to make effective use of any new authorities? This institutional infrastructure includes, at a minimum, a human capital planning process that integrates the agency's human capital policies, strategies, and programs with its program goals and mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and, importantly, a set of adequate safeguards, including reasonable transparency and appropriate accountability mechanisms to ensure the fair, effective, and credible implementation of a new system.

In GAO's view, as an alternative to DOD's proposed approach, Congress should consider providing governmentwide broad banding and pay for performance authorities that DOD and other federal agencies can use provided they can demonstrate that they have a performance management system in place that meets certain statutory standards, that can be certified to by a qualified and independent party, such as OPM, within prescribed timeframes. Congress should also consider establishing a governmentwide fund whereby agencies, based on a sound business case, could apply for funding to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse. This approach would serve as a positive step to promote high-performing organizations throughout the federal government while avoiding further human capital policy fragmentation.

United States General Accounting Office

www.gao.gov/cgi-bin/gettrpt?GAO-03-741T

To view the full testimony, click on the link above. For more information, contact Derek Stewart at (202) 512-5559 or stewardd@gao.gov.

Chairman Hunter, Mr. Skelton, and Members of the Committee:

It is a pleasure to appear before you today to provide our preliminary observations on the Department of Defense's (DOD) proposed National Security Personnel System (NSPS) included as part of the Defense Transformation for the 21st Century Act of 2003. As you know, I testified on Tuesday on the NSPS before the Subcommittee on Civil Service and Agency Organization, House Committee on Government Reform.¹ We have provided the statement prepared for that hearing to the Armed Services Committee for the record for today's hearing. Therefore, in the interests of brevity this morning, I will highlight some of the major points covered in that statement.

DOD is in the midst of a major transformation and it has undertaken a number of related initiatives to transform its forces and fundamentally improve its business operations. As part of DOD's transformation process, the Secretary of Defense and senior civilian and military leaders have committed to adopt a capabilities-based approach to acquisition planning and to improve the linkage between overall strategy and individual investments. At the same time, DOD has embarked on a series of efforts to achieve strategic savings and improve its business processes, including strengthened financial management, support infrastructure reforms to include base closures, information technology modernization, logistics reengineering, and more strategic human capital management. In that regard, I am pleased to serve as an observer to the Defense Business Practice Implementation Board. Notwithstanding these ongoing efforts, GAO has reported a range of DOD challenges for many years. Importantly, DOD also is covered by 9 of the 25 areas on our January 2003 high-risk list, including the area of strategic human capital management.

The proposed Defense Transformation for the 21st Century Act of 2003 represents a substantive legislative proposal that has far-reaching implications for the way DOD is managed. DOD's legislative initiative would, among other things, provide for major changes in civilian and military human capital management, make important adjustments to the DOD acquisition process, affect DOD's organization structure, and change DOD's reporting requirements to Congress. While my written statement

¹ U.S. General Accounting Office, *Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms*, GAO-03-717T (Washington, D.C.: Apr. 29, 2003).

today covers just the proposed civilian personnel reforms, I have some serious concerns with other sections of the proposed legislation especially in connection with the acquisition reform and reporting requirements parts of the DOD proposal, and I look forward to discussing those concerns with the Committee.

DOD's NSPS proposal recognizes that, as GAO has stated and the experiences of leading public sector organizations here and abroad have found, strategic human capital management must be the centerpiece of any serious government transformation effort. Many of the basic principles underlying DOD's civilian human capital proposals have merit and deserve serious consideration. The federal personnel system is clearly broken in critical respects—designed for a time and workforce of an earlier era and not able to meet the needs and challenges of our current rapidly changing and knowledge-based environment. The proposed NSPS would provide for wide-ranging changes in DOD's civilian personnel pay and performance management, collective bargaining, rightsizing, and a variety of other human capital areas. The NSPS would enable DOD to develop and implement a consistent, DOD-wide civilian personnel system bringing together the many disparate systems that exist today. DOD officials have said that the Department's current thinking is that NSPS will be based on the work done by DOD's Human Resources Best Practices Task Force. The Task Force reviewed federal personnel demonstration projects and selected alternative personnel systems to identify practices that it considered promising for a DOD civilian human resources strategy. These practices were outlined in a April 2, 2003, Federal Register notice asking for comment on DOD's plan to integrate all of its current science and technology reinvention laboratory demonstration projects under a single human capital framework consistent with the best practices DOD identified.²

Given the massive size of DOD and the nature and scope of the changes that are being considered, DOD's proposal also has important precedent-setting implications for federal human capital management in general, and the Office of Personnel Management (OPM), in particular. As a result, NSPS should be considered in that context. Several critical questions are raised by the Department's proposal, including should DOD and/or other agencies be granted broad-based exemptions from existing law, and if so, on what basis; and whether they have the institutional infrastructure in

²68 *Fed. Reg.* 16,119-16,142 (2003).

place to make effective use of the new authorities. This institutional infrastructure includes, at a minimum, a human capital planning process that integrates the agency's human capital policies, strategies, and programs with its program goals and mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure the fair, effective, and non-discriminatory implementation of a new system. Based on our experience, while the DOD leadership has the intent and the ability to implement the needed infrastructure, it is not consistently in place across DOD at the present time.

I believe that it would be more prudent and appropriate for Congress to address certain authorities that DOD is seeking on a governmentwide basis and in a manner that assures that appropriate performance management systems and safeguards are in place before the new authorities are implemented in any respective agency. This approach would accelerate needed human capital reform throughout the government in a manner that assures reasonable consistency on key principles within the overall civilian workforce. It also would provide agencies with reasonable flexibility while incorporating key safeguards to help maximize the chances of success and minimize the chances of abuse or significant litigation.

Adequate Safeguards, Reasonable Transparency, Appropriate Accountability, and Governmentwide Reform

There is growing agreement on the need to better link individual pay to performance. Establishing such linkages is essential if we expect to maximize the performance and assure the accountability of the federal government for the benefit of the American people. As a result, from a conceptual standpoint, we strongly support the need to expand broad banding approaches and pay for performance-based systems in the federal government. However, moving too quickly or prematurely at DOD or elsewhere can significantly raise the risk of doing it wrong. This could also serve to severely set back the legitimate need to move to a more performance- and results-based system for the federal government as a whole. Thus, while it is imperative that we take steps to better link employee pay to performance across the federal government, how it is done, when it is done, and the basis on which it is done can make all the difference in whether or not such efforts are successful. In our view, one key need is to modernize performance management systems in executive agencies so that they are capable of adequately supporting more

performance-based pay and other personnel decisions. Unfortunately, based on GAO's past work, most existing federal performance appraisal systems, including a vast majority of DOD's systems, are not designed to support a meaningful performance-based pay system.

At the request of Representative Jo Ann Davis and Senator George Voinovich, we identified key practices leading public sector organizations both here in the United States and abroad have used in their performance management systems to link organizational goals to individual performance and create a "line of sight" between an individual's activities and organizational results.³ These practices can help agencies develop and implement performance management systems with the attributes necessary to effectively support pay for performance.

The bottom line, however, is that in order to implement any additional performance-based pay flexibility for broad based employee groups, agencies should have to demonstrate that they have modern, effective, credible, and, as appropriate, validated performance management systems in place with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure fairness and prevent politicalization and abuse. As a result, Congress should consider establishing statutory standards that an agency must have in place before it can implement broad banding or a more performance-based pay program.

At the request of Congressman Danny Davis, we developed an initial list of possible safeguards for Congress to consider to help ensure that any pay for performance systems in the government are fair, effective, and credible:

- Assure that the agency's performance management systems (1) link to the agency's strategic plan, related goals, and desired outcomes, and (2) result in meaningful distinctions in individual employee performance. This should include consideration of critical competencies and achievement of concrete results.

³U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

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- Involve employees, their representatives, and other stakeholders in the design of the system, including having employees directly involved in validating any related competencies, as appropriate.
 - Assure that certain predecisional internal safeguards exist to help achieve the consistency, equity, nondiscrimination, and nonpoliticization of the performance management process (e.g., independent reasonableness reviews by Human Capital Offices and/or Offices of Opportunity and Inclusiveness or their equivalent in connection with the establishment and implementation of a performance appraisal system, as well as reviews of performance rating decisions, pay determinations, and promotion actions before they are finalized to ensure that they are merit-based; internal grievance processes to address employee complaints; and pay panels whose membership is predominately made up of career officials who would consider the results of the performance appraisal process and other information in connection with final pay decisions).
 - Assure reasonable transparency and appropriate accountability mechanisms in connection with the results of the performance management process (e.g., publish overall results of performance management and pay decisions while protecting individual confidentiality, and report periodically on internal assessments and employee survey results).

The above items should help serve as a starting point for Congress to consider in crafting possible statutory safeguards for executive agencies' performance management systems. OPM would then issue guidance implementing the legislatively defined safeguards. The effort to develop such safeguards could be part of a broad-based expanded pay for performance authority under which whole agencies and/or employee groups could adopt broad-banding and move to more pay for performance oriented systems if certain conditions are met. Specifically, an agency would have to demonstrate, and OPM would have to certify, that a modern, effective, credible, and, as appropriate, validated performance management system with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, is in place to support more performance-based pay and related personnel decisions, before the agency could implement a new system. OPM should be required to act on any individual certifications within prescribed time frames (e.g., 30-60 days).

This alternative approach would allow for a broader-based yet more conceptually consistent approach to linking federal employee pay and

other personnel decisions to performance. It would help to assure that agencies have the reasonable flexibility they need to modernize their human capital policies and practices, while maximizing the chances of success and minimizing the potential for abuse. This alternative approach would also facilitate a phased-implementation approach throughout government.

Congress should also consider establishing a governmentwide fund whereby agencies, based on a sound business case, could apply for funds to modernize their performance management systems and ensure those systems have adequate safeguards to prevent abuse. This approach would serve as a positive step to promote high-performing organizations throughout the federal government while avoiding human capital policy fragmentation within the executive branch.

Observations on Selected Provisions of the Proposed NSPS

With almost 700,000 civilian employees on its payroll, DOD is the second largest federal employer of civilians in the nation, after the Postal Service. Defense civilian personnel, among other things, develop policy, provide intelligence, manage finances, and acquire and maintain weapon systems. NSPS is intended to be a major component of DOD's efforts to more strategically manage its workforce and respond to current and emerging challenges. This morning I will highlight several of the key provisions of NSPS that in our view are most in need of close scrutiny as Congress considers the DOD proposal:

- The DOD proposal would allow the Secretary of Defense to jointly prescribe regulations with the Director of OPM to establish NSPS. However, unlike the legislation creating the Department of Homeland Security (DHS), the Defense Transformation for the 21st Century Act would allow the Secretary of Defense to waive the requirement for joint issuance of regulations if, in his or her judgment, it is "essential to the national security" which is not defined in the act. Therefore, the act would, in substance, provide the Secretary of Defense with significant independent authority to develop a separate and largely autonomous human capital system for DOD.
- As I have noted, performance-based pay flexibility for broad-based employee groups should be grounded in performance management systems that are capable of supporting pay and related decisions. DOD's personnel demonstration projects clearly provide helpful insights and valuable lessons learned in connection with broad banding and pay for performance efforts. At the same time these projects and related DOD

efforts involve less than 10 percent of DOD's civilian workforce and expanding these approaches to the entire department will require significant effort and likely need to be implemented in phases over several years.

- Similarly, the NSPS would increase the current total allowable annual compensation limit for senior executives up to the Vice President's total annual compensation. The Homeland Security Act provided that OPM, with the concurrence of the Office of Management and Budget, certify that an agency has performance appraisal systems that, as designed and applied, make meaningful distinctions based on relative performance before an agency is allowed to increase the annual compensation limit for senior executives. NSPS does not include such a certification provision. On the other hand, the Senior Executive Service needs to take the lead in matters related to pay for performance.
- The NSPS would include provisions intended to ensure collaboration with employee representatives in the planning, development, and implementation of a human resources management system. As discussed at the Civil Service and Agency Organization Subcommittee, Committee on Government Reform hearing on Tuesday, direct employee involvement in the development of the NSPS legislative proposal has thus far been limited. Moving forward, and aside from the specific statutory provisions on consultation, the active involvement of employees will be critical to the success of NSPS, or for any human capital reform for that matter.
- The legislation has a number of provisions designed to give DOD flexibility to help obtain key critical talent. These authorities give DOD considerable flexibility to obtain and compensate individuals and exempt them from several provisions of current law. While we have strongly endorsed providing agencies with additional tools and flexibilities to attract and retain needed talent, the broad exemption from some existing ethics and other personnel authorities without prescribed limits on their use raises some concern. Congress should consider building into the NSPS appropriate numerical or percentage limitations on the use of these provisions and basic safeguards to ensure such provisions are used appropriately.
- The NSPS proposal would provide DOD with a number of broad authorities related to rightsizing and organizational alignment. Authorities such as voluntary early retirements have proven to be effective tools in strategically managing the shape of the workforce. I have exercised the authority that Congress granted me to offer voluntary early retirements in GAO in both fiscal years 2002 and 2003 as one element of our strategy to

shape the GAO workforce. In DOD's case, while it has used existing authorities to mitigate the adverse effects of force reductions in the past, the Department's approach to those reductions was not oriented toward strategically shaping the makeup of the workforce. Given these problems, there is reason to be concerned that DOD may struggle to effectively manage additional authorities that may be provided. Importantly, the NSPS provisions would create an uneven playing field among agencies in competing for experienced talent.

- The legislation would also allow DOD to revise Reduction-in-Force (RIF) rules to place greater emphasis on an employee's performance. It conceptually support revised RIF procedures that involve much greater consideration of an employee's performance. However, as noted above, agencies must have the proper performance management systems in place to effectively and fairly implement such authorities. Furthermore, DOD proposes to lower the degree of preference provided to veterans under current law.
- The proposed NSPS would allow the Secretary, after consultation with the Merit Systems Protection Board, to prescribe regulations providing fair treatment in any appeals brought by DOD employees relating to their employment. The proposal states that the appeals procedures shall ensure due process protections and expeditious handling, to the maximum extent possible. This provision is substantially the same as a similar provision in the Homeland Security Act of 2002 allowing DHS to prescribe regulations for employee appeals related to their employment. Given the transparency of the federal system dispute resolution and its attendant case law, the rights and obligations of the various parties involved are well developed. It is critical that any due process changes that DOD would make under this authority are not only fair and efficient but, importantly, minimize any perception of unfairness.

Concluding Observations

In summary, many of the basic principles underlying DOD's civilian human capital proposals have merit and deserve serious consideration. They are, however, unprecedented in their size, scope, and significance. As a result, they should be considered carefully—and not just from a DOD perspective. The DOD proposal has significant precedent-setting implications for the human capital area in government in general, and for OPM in particular.

The DOD civilian human capital proposal raises several critical questions both for DOD as well as for governmentwide policies and approaches. Should DOD and/or other federal agencies be granted broad-based

exemptions from existing law, and if so, on what basis? Does DOD have the institutional infrastructure in place to make effective use of the new authorities? Our work has shown that while progress is being made, additional efforts are needed by DOD to integrate its human capital planning process with the department's program goals and mission. The practices that have been shown to be critical to the effective use of flexibilities provide a validated roadmap for DOD and Congress to consider.⁴ We believe it would be more prudent and appropriate to approve the broad banding and pay for performance issues on a governmentwide basis. Nevertheless, if additional authorities are granted to DOD, Congress should consider establishing additional safeguards to ensure the fair, merit-based, transparent, and accountable implementation of NSPS. This includes addressing the issues I have raised in this statement.

As I have suggested, Congress should consider providing governmentwide broad banding and pay for performance authorities that DOD and other federal agencies can use provided they can demonstrate that they have a performance management system in place that meets certain statutory standards and can be certified to by a qualified and independent party, such as OPM. Congress should also consider establishing a governmentwide fund whereby agencies, based on a sound business case, could apply for funds to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse. This would serve as a positive step to promote high-performing organizations throughout the federal government while avoiding further fragmentation within the executive branch in critical human capital policies and approaches.

We look forward to continuing to support Congress and work with DOD in addressing the vital transformation challenges it faces.

Chairman Hunter, Mr. Skelton, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have.

⁴ U.S. General Accounting Office, *Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms*, GAO-03-717T (Washington, D.C.: Apr. 29, 2003).

Contacts and Acknowledgments

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STATEMENT BY

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BEFORE

THE
HOUSE ARMED SERVICES COMMITTEE

REGARDING

DOD'S PROPOSALS FOR ITS CIVILIAN WORKFORCE

ON

May 1, 2003

Mr. Chairman and Members of the Committee: My name is Bobby L. Harnage, Sr. and I am the National President of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 600,000 federal employees our union represents, including 200,000 civilian employees of the Department of Defense (DoD), I thank you for the opportunity to testify today on the legislative proposals submitted by DoD.

AFGE strongly opposes this legislation on the grounds that it erases decades of social progress in employment standards, punishes a workforce that has just made a crucial and extraordinary contribution to our victory in Operation Enduring Freedom, and takes away from Congress and affected employees the opportunity they now possess to have a voice in crafting and approving the personnel and other systems of the Department of Defense. Today, no one owns the Department of Defense – it is a public institution, supported by U.S. taxpayers and administered by a Secretary of Defense appointed by an elected President, and overseen and regulated by the U.S. Congress. If this legislation is enacted, each individual Secretary of Defense, in cooperation with each President, will effectively own the Department of Defense as if it were a private concern. The Congress will have relinquished its oversight and legislative role with regard to approximately 654,000 government personnel.

DoD's "shock and awe" strategy, designed to stun and confuse its opponents, has been wrongly applied to the legislative arena in this proposal. The yet-to-be introduced legislation, and the public pronouncements relative to its rationale from high-ranking Pentagon officials upon its unveiling, have made me wonder whether its authors were under the impression that Saddam had won, rather than the Coalition troops. I could not understand why the Defense Department was poor mouthing its own effectiveness at the same time that it had just won a resounding victory in Iraq. I still cannot.

Can today's Pentagon officials honestly believe that the Defense Department is mired in failure, and that granting sweeping new authorities to every Secretary of Defense is what is necessary for it to succeed? The civilian employees of DoD represented by AFGE have been working around the clock for months supporting and maintaining both troops and weapons, loading materials and combat forces onto ships, aircraft, and tanks; or in many cases serving on active duty. They are justly proud of their contribution, and are devastated to learn that Pentagon leaders intend to reward this effort with Operation Erode the Civil Service, to be followed by Operation Fail Accompli.

We are at a loss to identify a serious or true rationale for this legislation. Over the past 12 years, DoD has achieved BRAC, services realignment, the creation of several agencies, including:

- Defense Logistics Agency (DLA),
- Defense Finance and Administration Service (DFAS)
- Defense Commissary Agency (DeCA)

- Defense Printing Agency (DPA)
- Defense Contract Audit Agency (DCAA)
- Defense Contract Management Agency (DCMA)
- National Imagery and Mapping Agency (NIMA)
- Defense Information Systems Agency (DISA)

and the elimination and consolidation of several agencies, widespread privatization, and downsizing of more than 200,000 federal positions. DoD has been granted tremendous flexibility, and it has exercised its authorities to the maximum extent. They have engaged in numerous successful combat missions, including two wars in the Gulf and in Europe. They have done a tremendous job advancing and protecting our nation's security interests. What did they need to do to protect our nation's security that the laws and regulation they seek the authority to waive prevent? What is the problem they are trying to solve?

I am not here to tell you that everything is fine at DoD from the perspective of DoD's rank and file civilian workforce. They have been asked to do more with less throughout the past decades deficit reduction and simultaneous and repeated reorganizations, transformations and policy shifts. Thousands live under the constant threat that DoD will contract out their jobs without giving them an opportunity to compete in a fair public-private competition. Because the downsizing of the 1990's was undertaken without regard to mission or workload, DoD's acquisition workforce was cut in half at the same time that the number and dollar value of service contracts exploded, making the job of oversight and administration of contracts ever more difficult. The promise that federal salaries would rise gradually in order to become more comparable to private sector rates, as provided by the Federal Employees Pay Comparability Act of 1990 (FEPCA) has not been realized, and DoD's blue collar employees have likewise been denied the prevailing wage rates that their pay system promises to them.

But nothing in the proposal would begin to solve any of those problems; instead, it would take away from Congress not only the opportunity, but also the responsibility for addressing them, and likely result in making each of those problems worse. I believe that there are solutions to these problems on which AFGE and Pentagon leaders could agree. There is nothing to explain why our union's repeated overtures to the Administration have been spurned. I stand ready to work together with Pentagon leaders and Members of Congress on constructive solutions to any problems the current personnel system poses with regard to this nation's security. Unfortunately, the proposal being considered today was composed entirely without input or consultation with DoD's largest employee organization.

Description of DoD's Legislative Proposal

What does the proposal do to civilian defense employees? The Act would amend current subpart I of part III of title 5, by adding chapter 99 establishing a new Department of Defense National Security Personnel System. With some notable

exceptions, these provisions are consistent with the analogous provisions in the previously enacted Homeland Security Act.

Secretaries of Defense would be given authority to establish, by regulations prescribed jointly with the Office of Personnel Management (OPM), human resources management systems for some or all of the organizational units of DoD. In addition, they would be authorized to waive the requirement that regulatory changes be issued jointly, "subject to the direction of the President." It is not clear what "subject to the direction of" means, i.e., whether it implies that the authority may be exercised "subject to the approval of" or whether the Secretaries may undertake such unilateral action only when told to do so by the President.

The proposal specifies that any regulations established thereby are considered "internal rules of departmental procedure" consistent with 5 U.S.C. §553. That section comprises the Administrative Procedure Act ("APA") "notice and comment" requirements and expressly excludes from its scope "matters relating to agency management or personnel or to public property, loans, grants, benefits, or contracts," or to "interpretive rules, general statements of policy or rules of agency organization, procedures or practice." Consequently, any rules promulgated pursuant to the proposed 5 U.S.C. §9902(a) are likely to be deemed excluded from the notice and comment requirements of §553 regardless of the explicit exclusion noted here.

The legislation gives to Secretaries of Defense powers that go far beyond the unprecedented authorities given to the Secretaries of the Department of Homeland Security. The following chapters are nonwaivable for DHS employees but would be waivable for DoD employees under the proposed legislation:

- Ch. 41: Training
- Ch. 55: Pay Administration (Including backpay, severance pay)
- Ch. 59: Allowances (Uniform, Housing, Post differentials)

In addition, almost all of the following chapters of title 5 would be waivable:

- Ch. 31: Authority for Employment
- Ch. 33: Examination, Selection, and Placement, and
- Ch. 35: Retention Preference, Restoration, and Reemployment

The proposal, like Homeland Security, authorizes Defense Secretaries to waive the following critical chapters:

- Ch. 43: Performance appraisal system
- Ch. 51: Position Classification
- Ch. 53: Pay rates and systems (GS/WG/grade and pay retention)
- Ch. 71: Collective Bargaining rights
- Ch. 75: Due process
- Ch. 77: Appeal rights/judicial review

With regard to collective bargaining, the DoD proposal is highly misleading and disingenuous. Although it ostensibly ensures the right of employees to organize and bargain collectively, while concomitantly making the exercise of that right explicitly subject to any limitations provided in the proposal as well as those exclusions from coverage and limitation on negotiability established pursuant to law. The restrictions contemplated by the proposal are substantial. For example, instead of bargaining, the proposal primarily talks in terms of "collaboration." Moreover, it stipulates that the Secretary may disregard levels of recognition and undertake, at his discretion, to engage in collaborative activities at any organizational level above the level of recognition. To the extent that the proposal does address "bargaining," it provides that the Secretary may undertake "at his sole and exclusive discretion" to bargain without regard to the level of exclusive recognition. Any agreement negotiated pursuant to this authority supersedes all other agreements "except as otherwise determined by the Secretary" and is not subject to further negotiation except as provided by the Secretary.

The remaining content of the proposal is directed at hiring contract personnel, with the exception of hiring "older Americans" which is plainly intended to permit reemployment of retired military without any diminution to pension currently imposed on so-called "double dippers."

It is worth elaborating what all this would mean in very practical terms. Allowing each new Secretary of Defense to waive chapters 53 and 51 of Title 5 means that each new Secretary of Defense would be free to create a wholly new pay and position classification system for the Department. It would mean that any Secretary of Defense could eliminate the General Schedule (GS) and the Federal Wage System (FWS) or their successors (whatever they might be) and replace them with new systems of his own design. Annual salary adjustments, nationwide and locality, passed by the Congress to help federal salaries keep pace with private sector wage increases would be gone. Periodic step increases for eligible workers who are performing satisfactorily would be gone. The current Secretary of Defense is said to prefer a pay banding system that allows supervisors to decide whether and by how much an individual employee's pay might be adjusted. Supervisors, not Congress, would decide whether DoD employees get a raise and what the size of that raise would be. No one knows how future Secretaries of Defense might exercise this power.

Chapter 51 describes the current classification system and requires that different pay levels for different jobs be based on the principle of "equal pay for substantially equal work." New systems designed by successive Secretaries of Defense would not have to adhere to that standard. Jobs which are graded similarly today on the basis of that principle might therefore be treated completely differently when various and successive new systems are put into place by each new Secretary of Defense. Granting these authorities to each new Secretary of

Defense with regard to classification raises serious concern, as the current standards go a long way toward preventing federal pay discrimination on the basis of race, gender, or ethnicity.

Allowing waiver of chapter 43 gives over to each Secretary of Defense the power to unilaterally decide a system for taking action against poor performers. In order to make sure that federal employees are not the targets of unwarranted or arbitrary discipline, current law provides employees with an opportunity to undertake a "performance improvement period" before they are disciplined for poor performance. In any new systems created by different administrations, current safeguards and the opportunity to improve or appeal may be eliminated.

Waiving chapters 75 and 77 will put in jeopardy DoD employees' due process and appellate rights. While non-union private sector workers have no legal right to appeal suspensions, demotions, or dismissals from their jobs, federal workers have these legal rights for very important reasons. In addition to being the right thing to do, because their employer is the U.S. government, the guarantor and enforcer of American citizens' due process rights, the bar is higher than for private firms whose obligations are different. Thus chapter 75 sets up a system for management to suspend, demote, or dismiss employees, but provides employees with the ability to appeal these actions to the Merit Systems Protection Board (MSPB) if there is evidence that the actions were motivated by factors other than performance, including racial or other prejudice, political views, or union status. Under this chapter, DoD employees are eligible for advance written notice of the disciplinary action, a reasonable time to respond, representation by an attorney, and a written decision by DoD listing the specific reasons for the disciplinary action. Any Secretary of Defense could eliminate these protections under the proposal.

Chapter 77 establishes the procedures for appealing to not only the MSPB, but also describes procedures for appealing decisions that are alleged to involve discrimination either to the MSPB or the Equal Employment Opportunity Commission (EEOC), and for accountability, establishes judicial review of MSPB decisions. Giving each Secretary of Defense the power to do away with the rights and procedures described in chapters 75 and 77 means that DoD workers could lose and regain these rights according to the political preferences of any Administration. One Secretary of Defense may decide that employees of DoD should have little or no right to information about why they are being disciplined, and little or no right to appeal decisions against them. Another Secretary of Defense may reinstate procedures for the period of his tenure, but they may disappear again after the next election.

Current law, as set forth in chapter 71 of title 5, allows DoD employees to organize into labor unions and pursue union representation through the process of collective bargaining with management over some conditions of employment. Giving each Secretary of Defense the authority to waive some or all of chapter 71

eliminates a very important part of the checks and balances that hold managers and political appointees accountable. Waiving chapter 71 would allow any Secretary of Defense to create new personnel systems without any formal give-and-take with the affected employees' elected representatives.

In addition, the proposal would allow any Secretary of Defense to direct the department to bypass local unions' bargaining rights. It eliminates the process by which disputes between employee representatives and management are resolved. Today, labor-management impasses are sent to the Federal Services Impasses Panel (FSIP), a seven-member board appointed by the President, which acts as a binding arbitrator on all disputes. The legislation would prohibit any bargaining or negotiability impasses, no matter how routine or unrelated to national security, from going to the FSIP, the Federal Labor Relations Authority, or any third party outside DoD. This is unprecedented and any Secretary of Defense who decides to exercise this authority would render the entire collective bargaining process a sham.

One of the most shocking authorities DoD is seeking for its Defense Secretaries is in the power to waive chapters 31 and 33 of title 5. This effectively grants the authority to hire relatives, while simultaneously eliminating requirements for merit-based testing for positions in the competitive service. Supervisors would be able to hire and promote their cronies, their relatives, and their political favorites if any Secretary of Defense decides to exercise this authority. Can it possibly be the case that Pentagon officials believe that prohibitions on hiring brothers-in-law and members of only certain political parties has prevented DoD from achieving its mission?

The DoD proposal would eliminate the requirement that reductions-in-force (RIF) be conducted according to procedures set out in chapter 35. These procedures assure that RIFs are conducted on the basis of employment status and length of service as well as efficiency or performance ratings. On what basis would supervisors select individuals for RIFs without the constraints described in chapter 35's procedures? No one knows and no one will know since each Secretary of Defense would have the authority to write and rewrite RIF rules if the proposal were enacted. Indeed, every time DoD conducted a RIF, the rules could change. The proposal would allow supervisors to decide who will be the victim of a RIF on the basis of favoritism rather than performance merit, seniority, and employment status.

Again it must be asked – beyond rhetorical homilies about flexibility--why is this authority being sought? DoD downsized by several hundred thousand civilians at the end of the Cold War without apparent loss of mission effectiveness or capacity, and the burden is on DoD to explain the need for this authority outside Congressional review.

Another shocking and dangerous waiver authority is sought in the legislation with regard to chapter 55, which covers pay Administration. This chapter addresses numerous issues ranging from overtime and compensatory time calculations, firefighter pay, Sunday and holiday pay, dual status pay for National Guard and Reserve technicians, jury duty pay, severance pay, and back pay due to personnel actions found to have been unjustified. Likewise, the proposal seeks to give Defense Secretaries the authority to waive chapter 59 which covers everything from uniform allowances to danger pay to duty at remote worksites. By waiving these two chapters, each new Secretary of Defense would have the power to turn back the clock on the last several decades of progressive legislation on matters crucial to the economic security of federal employees and their families.

What the Current Administration Might Do With the New Authorities

DoD reveals in the Section by Section Analysis attached to the proposal a preview of what *this* Defense Secretary might decide to do with his sweeping new powers. However, again it must be noted that the authorities granted to Secretaries of Defense could easily mean a thorough upheaval in personnel practices each time a new individual takes over at the Pentagon, all without the input or approval of either Congress or the affected employees. That is, if the current Secretary were to resign or be replaced as a result of a new election, everything he created under this proposal could be repealed and a whole new personnel system put in place. Nevertheless, neither this Secretary of Defense nor any subsequent one would need to gain Congressional approval for changing DoD's personnel system if the proposal is enacted.

Indeed, the proposal merely instructs current and future Secretaries of Defense to create personnel systems that are "flexible" and "contemporary." There is a curious paradox in the Section by Section analysis and the promotional remarks that have been made by high-ranking DoD officials who have tried to create a rationale for this legislation. In the Section by Section analysis, the current situation at DoD is described as a "fragmented" system governed by "multiple titles of the United States Code," and "nine demonstration projects covering 30,000 employees, 50 different pay systems, and several alternative personnel systems." When officials are explaining the need for vast and unchecked new authorities, however, they describe the current system as "rigid," "antiquated," and preventive of success. But how could a rigid system spawn so much fragmentation? How could a rigid system allow nine demonstration projects and 50 pay systems? How could a rigid system result in so many alternative personnel systems?

And, it is important to remember that all of this "fragmentation" has been accomplished at the request of DoD. What innovation or alternative or fragmentation does DoD hope to create that they cannot, and more important what problem do they hope to solve that they have not solved with these varied

and flexible alternatives? Pentagon officials must be asked to answer these questions substantively, with something more than bromides about flexibility.

A particularly chilling sentence in the Sectional analysis reads: "Consistent with the Secretary's broad authority to manage military personnel, the Secretary also would exercise broad authority to manage DoD civilian personnel, subject to the direction of the President, provided he certifies that such authority would be essential to the national security." It is difficult to interpret that sentence in a way that would quiet concerns that there might no longer be any distinction between the terms of civilian employment in DoD, and the terms of service for uniformed personnel.

The military "employment" system is in fact a relevant point to consider in the context of the authorities requested in this legislation. AFGE does not dispute the need for a personnel system to manage uniformed service members that grants enormous authority up the chain of command. The nation's defense necessitates a military personnel system that is capable of responding to the demands of an ever-changing national security and battlefield environment. However, to allow each Secretary of Defense the same broad authority to manage the civilian workforce as he has in managing military personnel would be a mistake.

Military personnel management, and the need for a broad authority to manage the uniformed services, is the result of a unique set of demographic, sociological, mission, operational, environmental and cultural imperatives. These unique factors in turn necessitate a unique personnel management system.

The military personnel system is driven by the needs of the battlefield. Recruitment, promotion, career development and assignment, training, disciplinary matters, skills, and retention policies and priorities reflect the needs and unique challenges associated with managing uniformed personnel whose sole purpose is to serve a battlefield mission. Consequently, the force resulting from this personnel system is different from that in the civilian workforce. The military force is younger than the general population. It is intentionally more transient than the general workforce. It operates under a unique legal code (the Uniform Code of Military Justice), and by design, the individuals working in this environment perform a greater number of jobs employing a greater variety of job skills than their civilian federal counterparts. Because of the unique hardships and dangers associated with a military career, the military personnel management system attempts to provide its own singular incentives in order to maintain morale and assist in retention.

The civilian defense workforce exists to support those who serve in direct military capacity for the nation's defense. Unlike their uniformed teammates, the civilian DoD workforce is shaped and governed by a complex, yet effective, infrastructure of federal statutes, laws, policies and regulations. The purpose of

this infrastructure is to ensure that a stable and qualified workforce is recruited, compensated and retained to support the service department's and separate defense agencies' missions. Under the infrastructure which governs the federal defense workforce there is no premium placed on "career broadening assignments or transfers." The federal workforce is stationary, in place, reliable and ready at a moment's notice to serve and perform such missions as they may be assigned. While the military system through its assignment and promotions policies such as "up or out" accepts transition and personnel turbulence as the routine cost of doing business. The civilian personnel management system on the other hand places a greater premium on personnel stability, continuity, developing and maintaining organizational knowledge and experience. In like manner, the military system through its training policies and career broadening tours, reflects the battlefield's need for redundancy and multi-skilled performance in a chaotic and confusing environment. The civilian system emphasizes the management of workers performing a single, unique mission essential skill in a stable work environment working in support and in tandem with their military counterparts.

In making the comparison between the two personnel systems I am not saying one system is superior to the other. What I am saying is quite the opposite. While these two management systems are dynamically different and result from dramatically different needs. They – under the current arrangement - are complementary and create a healthy symbiosis. Work has continued whether there was a war, Watergate, impeachment, or Congressional stalemate. There can be no military tyrants with our current system. The two different personnel management systems have created an armed force and workforce that has always been there to serve our nation well – and if allowed, will continue to be there for us in the future.

Individual Pay for Performance: A Perpetual War of All Against All

AFGE has testified recently on the question of whether individualized pay for performance is a wise choice for the federal pay system governing the entire Executive Branch. The critique and caution we offered in that context is equally relevant to the Department of Defense. Although the proposal specifically does not ask Congress to approve a new pay system or a new personnel system, but instead asks Congress to relinquish this authority to successive Secretaries of Defense, this Secretary has let it be known that something along the lines of the Navy's China Lake Demonstration Project Pay for Performance Plan might be used as a model for the pay system the current Administration intends to impose.

The question of whether the China Lake Plan is a worthy successor to the General Schedule for DoD or any other agency is one useful way to consider how the authorities in the legislation might be used or abused. It is always more productive to compare systems that are real, rather than compare fantasized perfect models of pay for performance with the easily-maligned real systems.

Thus, I will discuss briefly the General Schedule, since it too deserves an accurate description so that proposed alternatives are not considered or evaluated against an easily dismissed or derided "straw dog."

The version of the General Schedule I will discuss is the one that was established as a result of the enactment of the bipartisan Federal Employees Pay Comparability Act (FEPCA) in 1990. Despite the insistence of some who claim that it is an aged and inflexible historical relic, the fact is that the General Schedule has been modified numerous times, in some cases quite fundamentally. FEPCA's distinguishing feature, the locality pay system, has not even had a full decade of experience, since its implementation began only in 1994 after passage in 1992 of technical and conforming amendments to FEPCA that established both locality pay and Employment Cost Index (ECI)-based annual pay adjustments.

Flexibility in Times of Peace

FEPCA introduced a panoply of pay flexibilities into the allegedly rigid General Schedule of which DoD has made ample use:

- special pay rates for certain occupations
- critical pay authority
- recruitment and retention flexibilities that allow hiring above the minimum step of any grade
- paying recruitment or relocation bonuses
- paying retention bonuses of up to 25% of basic pay
- paying travel and transportation expenses for new job candidates and new hires
- allowing new hires up to two weeks advance pay as a recruitment incentive
- allowing time off incentive awards
- paying cash awards for performance
- paying supervisory differentials to GS supervisors whose salaries were less than certain subordinates covered by non-GS pay systems
- waiver of dual compensation restrictions
- changes to Law Enforcement pay
- special occupational pay systems
- pay flexibilities available to Title 5 health care positions, and more.

In addition, FEPCA retained agencies' authority for quality step increases, which allow managers to reward extraordinary performance with increases in base salary that continue to pay dividends throughout a career.

The basic structure of the General Schedule is a 15-grade matrix with ten steps per grade. Movement within a grade or between grades depends upon the satisfactory performance of job duties and assignments over time. That is, an employee becomes eligible for what is known as a "step" increase each year for

the first three years, and then every two or three years thereafter up to the tenth step. *Whether or not an employee is granted a step increase depends upon performance (specifically, they must be found to have achieved "an acceptable level of competence")*. If performance is found to be especially good, managers have the authority to award "quality step increases" as an additional incentive. If performance is found to be below expectations, the step increase can be withheld, and proper steps can be taken either to discipline the employee, demote the employee, and give him an opportunity to improve.

The federal position classification system, which is separate and apart from the General Schedule and would have to either continue or be altered separately and in addition to any alteration in the General Schedule, determines the starting salary and salary potential of any federal job. As such, a job classification determines not only initial placement of an individual and his or her job within the General Schedule matrix, classification determines the standards against which individual worker's performance will be measured when opportunities for movement between steps or grades arise. **And most important, the classification system is based upon the concept of "equal pay for substantially equal work", which has done much to prevent federal pay discrimination on the basis of race, ethnicity, or gender.**

The introduction of numerous pay flexibilities into the General Schedule under FEPCA was only one part of the pay reform the legislation was supposed to effect. It was recognized by President George Bush, our 41st President, the Congress, and federal employee unions that federal salaries in general lagged behind those in the private sector by substantial amounts, although these amounts varied by metropolitan area. FEPCA instructed the BLS to collect data so that the size of the federal-non-federal pay gap could be measured, and closed gradually to within 90% of comparability over 10 years. To close the pay gap, federal salary adjustments would have two components: a nationwide, across-the-board adjustment based upon the Employment Cost Index (ECI) that would prevent the overall gap from growing, and a locality-by-locality component that would address the various gaps that prevailed in specific labor markets.

Unfortunately, neither the Clinton nor the George W. Bush administration has been willing to comply with FEPCA, and although some small progress has been made as a result of Congressional action, on average federal salaries continue to lag private sector salaries by about 22%. The Clinton administration cited, variously, budget difficulties and undisclosed "methodological" objections as its reasons for failing to provide the salary adjustments called for under FEPCA. The current administration ignores the system altogether, and for FY04 has proposed allocation of a fund with 0.5% of salaries to be allocated via managerial discretion. Meanwhile, the coming retirement wave, which was fully anticipated in 1990 and is particularly acute in DoD because of the downsizing of more than 200,000 jobs in that decade, has turned into a full-fledged human capital crisis, as the stubborn refusal to implement the locality pay system which was designed

to improve recruitment and retention of the next generation of federal employees continues.

One of the rationales that will be repeated endlessly as DoD officials push for unfettered authorities will be the importance of their being able to act decisively in emergencies involving national security risks or incidents. They may claim, wrongly, that today they lack the authority to abrogate collective bargaining agreements in such cases, or move and direct or terminate personnel easily and expeditiously because of obstacles set forth in title 5. In fact, no such obstacles exist either in law or in collective bargaining agreements.

Flexibility in Times of Emergency

The current federal sector labor law provides that "nothing shall affect the authority of any management official of any agency...to take whatever actions may be necessary to carry out the agency mission during emergencies." (5 U.S.C. §7601(a)(2)(D)). Thus it is already within the sole discretion of the Secretary of Defense in times of heightened alert to take any emergency action, even those that might be expressly and directly inconsistent with existing labor agreements. In our 70 years of experience, as the largest union representing civilian workers in Defense, we do not know of one instance, in times of heightened security, where there has been any labor dispute over the Secretary's emergency authority to reassign, transfer, or deploy any worker to any assignment for any security reason. *In other words, the current labor law gives the Secretary of Defense, in the context of personnel actions, all the flexibility he needs when he determines that he needs it.*

Barely one month ago, OPM Director Kay Coles James sent the heads of all Executive Departments and Agencies a memorandum (dated March 17) describing "Level Orange Emergency Human Resources Management (HRM) Authorities that had been put into use. There were two lists of flexibilities: one set required OPM approval prior to implementation, and the other did not. Among the "Existing Authorities" that agencies were invited to exercise without OPM approval were excepted service appointments of up to 60 days, emergency SES appointments, re-employment of annuitants, and competitive service appointments of up to 120 days without regard to CTAP, ICTAP, or RPL requirements. Further, biweekly caps could be lifted for premium pay up to annual limits.

Employees could be excused from work for needed emergency law enforcement, relief, or recovery efforts; telework arrangements can be approved. Employees could be furloughed without advance notice or any opportunity to respond, and more. With OPM approval, agencies have been authorized to make excepted service temporary appointments, waive dual compensation restrictions for re-employed annuitants, and waive buyout repayment requirements, among other authorities. These authorities are flexibility itself, and AFGE is glad that DoD has

access to them in emergency situations. No group is more concerned or more supportive of measures that truly advance our nation's security than DoD's civilian federal workforce.

China Lake

The Navy's China Lake plan started out as a demonstration project under title 6 of the Civil Service Reform Act. It was initiated in 1980, modified in 1987, expanded in 1990, extended indefinitely in 1994 (made into a "permanent" alternative personnel system), and expanded again in 1995. The employees covered by the China Lake plan are approximately 10,000 scientists, engineers, technicians, technical specialists, and administrative and clerical staff—a workforce that is not typical of any government agency, or even a minority of work units in any one agency.

Although the China Lake plan is often referred to as a model for pay for performance, the rationale given to OPM at its inception, and to Congress in its progress reports, was to improve the competitiveness of salaries for scientists and engineers. Nevertheless, the China Lake model is a performance-based pay system that differs from the General Schedule in terms of its classification of jobs into pay bands that are broader than the grades and steps in the GS matrix. Thus it is often called a broadbanding system.

OPM's evaluation of the China Lake plan was positive. They judged it a success in improving overall personnel management at the two demonstration laboratories studied. OPM cited the "simplified delegated job classification based on generic standards" as a key factor in the demo's success, as the time spent on classification actions was reduced, and the official report was that conflict between the affected workers and management declined. In the 10-year period of evaluation, average salaries rose by 3% after taking into account the effects of inflation. The China Lake plan made an explicit attempt to link pay increases within its "broad bands" to individual performance ratings. Starting salaries were also "flexible" within the bands.

It is important to note that the China Lake demo predated the passage of FEPCA by a decade. Indeed, China Lake's experience was invoked throughout the debate over reforming the federal pay system in the years leading up to FEPCA's passage in 1990, and many of FEPCA's flexibilities were based upon positive experiences accumulating in the China Lake demo.

It is worth describing at length the mechanics of the China Lake pay for performance system, apart from its equally elaborate classification system. I do this in part to show how China Lake's design may be appropriate to some scientists and engineers, but not to all federal employees since many are in occupations and workplaces that place extreme or even total limitations on creativity, individual initiative, or individualized performance. I also include this

description to show that administrative ease is not one of pay for performance's virtues if the pay for performance system attempts to build in safeguards that limit the role of bias, favoritism and prejudice, as has been attempted at China Lake.

Instead of the General Schedule's 15 grades, China Lake has five career paths grouped according to occupational field. The five occupational fields are Scientists/Engineers/Senior Staff, Technicians, Technical Specialists, Administrative Specialists, and General Personnel. Each career path has classification and pay levels under the broadband concept that are directly comparable to groupings of the General Schedule. Within each career path are included many types of jobs under an occupational heading. Each job has its own career ladder that ends at a specific and different point along the path. Each broad band encompasses at least two GS grades. The China Lake plan describes itself as being "anchored" to the General Schedule as a "reality check." For those keeping count, the China Lake broadband has at least as many salary possibilities as the General Schedule, and at most as many as 107,000, since salaries can really be anywhere between the General Schedule's minimum or maximum.

Movement along an individual career path is the key factor to consider, as the overall plan has been suggested as a pay for performance model. As such, it is important to note that although some individuals may have an opportunity to move up to the top of a career path, not all can. Each job has its predesignated "top out" level. The promotion potential for a particular position is established based on the highest level at which that position could be classified, but individuals' promotions will vary. Promotion potential for a given position doesn't grow just because movement is nominally based upon performance. The only way to change career paths is to win a promotion to another career path altogether, i.e. get a new job. One can move along a pay line, but one may not shift to a higher pay line.

The description of the China Lake system involves pages and pages of individualized personnel actions involving the classification and reclassification of workers, and the setting of salary and salary adjustments. It is certainly neither streamlined nor simple, and asks managers on a continuous basis to evaluate each individual worker on numerous bases. In terms of bureaucratic requirements, and a presumption that managers have the training, competence, available time, commitment, and incentive to be as thorough as this system expects them to be for every single employee under them, the China Lake plan seems unrealistic at best. Further, the plan lacks adequate opportunity for employees to appeal their performance appraisals and the attendant pay consequences.

Unlike some of the radical "at will" pay and classification systems advocated by those who believe that any rules or regulations or standards or systems constitute intolerable restrictions on management flexibility, the China Lake plan

retains a requirement to tie salary to job duties and responsibilities, not an individual worker's personal characteristics.

AFGE's Views on the General Schedule vs. "Individualized Pay for Performance"

The rationales offered by proponents of pay for performance in the federal government have generally fallen under one of four headings: improving productivity, improving recruitment prospects, improving retention, and punishing poor performers. Perhaps the most misleading rationale offered by advocates of pay for performance is that its use has been widespread in the private sector. Those who attempt to provide a more substantive argument say they support pay for performance because it provides both positive and negative incentives that will determine the amount of effort federal workers put forward. Advocates of pay for performance wisely demur on the question of whether pay for performance by itself is a strategy that solves the problem of the relative inferiority of federal salaries compared to large public and private sector employers. That is to say, when pay for performance is referred to as complying with the government's longstanding principle of private sector comparability, what they seem to mean is comparability in *system design*, and not comparability in salary levels.

Does a pay system that sets out to reward individual employees for contributions to productivity improvement and punishes individual employees for making either relatively small or negative contributions to productivity improvement work? The data suggest that they do not, although the measurement of productivity for service-producing jobs is notoriously difficult. Measuring productivity of government services that are not commodities bought and sold on the market is even more difficult. Nevertheless, there are data that attempt to gauge the success of pay for performance in producing productivity improvement. Most recently, DoD's own data from its "Best Practices" pay demos has shown that they have not led to improvements in productivity, accomplishment of mission, or cost control.

Although individualized merit pay gained prominence in the private sector over the course of the 1990's, there is good reason to discount the relevance of this experience for the federal government as an employer. Merit based contingent pay for private sector employees over the decade just past was largely in the form of stock options and profit-sharing, according to BLS data. The corporations that adopted these pay practices may have done so in hope of creating a sense among their employees that their own self interest was identical to the corporation's, at least with regard to movements in the firm's stock price and bottom line. However, we have learned more recently, sometimes painfully, that the contingent, merit-based individual pay that spread through the private

sector was also motivated by a desire on the part of the companies to engage in obfuscatory cost accounting practices.

These forms of "pay for performance" that proliferated in the private sector seem now to have been mostly about hiding expenses from the Securities and Exchange Commission (SEC), and exploiting the stock market bubble to lower actual labor costs. When corporations found a way to offer "performance" pay that effectively cost them nothing, it is not surprising that the practice became so popular. However, this popularity should not be used as a reason to impose an individualized "performance" pay system with genuine costs on the federal government.

Jeffrey Pfeffer, a professor in Stanford University's School of Business, has written extensively about the misguided use of individualized pay for performance schemes in the public and private sectors. He cautions against falling prey to "six dangerous myths about pay" that are widely believed by managers and business owners. Professor Pfeffer's research shows that belief in the six myths is what leads managers to impose individualized pay for performance systems that never achieve their desired results, yet "eat up enormous managerial resources and make everyone unhappy."

The six myths identified by Professor Pfeffer are:

- (1) labor rates are the same as labor costs;
- (2) you can lower your labor costs by lowering your labor rates;
- (3) labor costs are a significant factor in total costs;
- (4) low labor costs are an important factor in gaining a competitive edge;
- (5) individual incentive pay improves performance; and finally,
- (6) the belief that people work primarily for money, and other motivating factors are relatively insignificant.

The relevance of these myths in the context of the sudden, urgent desire to impose a pay for performance system on the federal government is telling. Professor Pfeffer's discussion of the first two myths makes one wish that his wisdom would have been considered before the creation of the federal "human capital crisis" through mindless downsizing and mandatory, across-the-board privatization quotas. Pfeffer's distinction argues that cutting salaries or hourly wages is counterproductive since doing so undermines quality, productivity, morale, and often raises the number of workers needed to do the job. Did the federal government save on labor costs when it "downsized" and eliminated 300,000 federal jobs at the same time that the federal workload increased?

Does the federal government save on labor costs when it privatizes federal jobs to contractors that pay front-line service providers less and managers and professionals much, much, much more?

Salaries for the 1.8 million federal employees cost the government about \$67 billion per year (a little over a third of this goes to DoD employees), and no one knows what the taxpayer-financed payroll is for the 5 million or so employees working for federal contractors. But as a portion of the total annual expenditures, it is less than 3%, according to Congressional Budget Office (CBO) projections. Regarding the relevance of low labor costs as a competitive strategy, for the federal government it is largely the ability to compete in labor markets to recruit and retain employees with the requisite skills and commitment to carry out the missions of federal agencies and programs. Time and again, federal employees report that competitive salaries, pensions and health benefits; job security, and a chance to make a difference are what draw them to federal jobs. They are not drawn to the chance to become rich in response to financial incentives that require them to compete constantly against their co-workers for a raise or a bonus. DoD employees, in particular, are drawn to the agency's national security mission.

Professor Pfeffer blames the economic theory that is learned in business schools and transmitted to human resources professionals by executives and the media for the persistence of belief in pay myths. These economic theories are based on conceptions that human nature is uni-dimensional and unchanging. In economics, humans are assumed to be rational maximizers of their self-interest, and that means they are driven primarily, if not exclusively by a desire to maximize their incomes. The inference from this theory, according to Pfeffer, is that "people take jobs and decide how much effort to expend in those jobs based on their expected financial return. If pay is not contingent on performance, the theory goes, individuals will not devote sufficient attention and energy to their jobs."

Further elaboration of these economic theories suggest that rational, self-interested individuals have incentives to misrepresent information to their employers, divert resources to their own use, to shirk and "free ride", and to game any system to their advantage *unless* they are effectively thwarted in these strategies by a strict set of sanctions and rewards that give them an incentive to pursue their employer's goals. In addition there is the economic theory of adaptive behavior or self-fulfilling prophesy, which argues that if you treat people as if they are untrustworthy, conniving and lazy, they'll act accordingly.

Pfeffer also cites the compensation consulting industry, which, he argues, has a financial incentive to perpetuate the myths he describes. More important, the consultants' own economic viability depends upon their ability to convince clients and prospective clients that pay reform will improve their organization. Consultants also argue that pursuing pay reform is far easier than changing more

fundamental aspects of an organization's structure, culture, and operations in order to try to improve; further, they note that pay reform will prove a highly visible sign of willingness to embark on "progressive reform." Finally, Pfeffer notes that the consultants ensure work for themselves through the inevitable "predicaments" that any new pay system will cause, including solving problems and "tweaking" the system they design.

In the context of media hype, accounting rules that encourage particular forms of individual economic incentives, the seeming truth of economic theories' assumptions on human nature, and the coaxing of compensation consultants, it is not surprising that many succumb to the temptation of individualized pay for performance schemes. But do they work? Pfeffer answers with the following:

Despite the evident popularity of this practice, the problems with individual merit pay are numerous and well documented. It has been shown to undermine teamwork, encourage employees to focus on the short term, and lead people to link compensation to political skills and ingratiating personalities rather than to performance. Indeed, those are among the reasons why W. Edwards Deming and other quality experts have argued strongly against using such schemes.

Consider the results of several studies. One carefully designed study of a performance-contingent pay plan at 20 Social Security Administration (SSA) offices found that merit pay had no effect on office performance. Even though the merit pay plan was contingent on a number of objective indicators, such as the time taken to settle claims and the accuracy of claims processing, employees exhibited no difference in performance after the merit pay plan was introduced as part of a reform of civil service pay practices. Contrast that study with another that examined the elimination of a piece work system and its replacement by a more group-oriented compensation system at a manufacturer of exhaust system components. There, grievances decreased, product quality increased almost tenfold, and perceptions of teamwork and concern for performance all improved.¹

Compensation consultants like the respected William M. Mercer Group report that just over half of employees working in firms with individual pay for performance schemes consider them "neither fair nor sensible" and believe that they add little value to the company. The Mercer report says that individual pay for performance plans "share two attributes: they absorb vast amounts of management time and resources, and they make everybody unhappy."

One further problem cited by both Pfeffer and other academic and professional observers of pay for performance is that since they are virtually always zero-sum propositions, they inflict exactly as much financial hardship as they do financial

¹ "Six Dangerous Myths about Pay", by Jeffrey Pfeffer, Harvard Business Review, May-June 1998 v. 76, no.3, page 109 (11).

benefit. In the federal government as in many private firms, a fixed percentage of the budget is allocated for salaries. Whenever the resources available to fund salaries are fixed, one employee's gain is another's loss. What incentives does this create? One strategy that makes sense in this context is to make others look bad, or at least relatively bad. Competition among workers in a particular work unit or an organization may also, rationally, lead to a refusal on the part of individuals to share best practices or teach a coworker how to do something better. Not only do these likely outcomes of a zero-sum approach obviously work against the stated reasons for imposing pay for performance, they actually lead to outcomes that are worse than before.

What message would the federal government be sending to its employees and prospective employees by imposing a pay for performance system? At a minimum, if performance-based contingent pay is on an individual-by-individual basis, the message is that the work of lone rangers is valued more than cooperation and teamwork. Further, it states at the outset that there will be designated losers – everyone cannot be a winner; someone must suffer. In addition, it creates a sense of secrecy and shame regarding pay. In contrast to the current pay system that is entirely public and consistent (pay levels determined by Congress and allocated by objective job design criteria), individual pay adjustments and pay-setting require a certain amount of secrecy, which strikes us as inappropriate for a public institution. An individual-by-individual pay for performance system whose winners and losers are determined behind closed doors sends a message that there is something to hide, that the decisions may be inequitable, and would not bear the scrutiny of the light of day.

Beyond compensation consultants, agency personnelists, and OPM, who wants to replace the General Schedule with a pay for performance system? The survey of federal employees published by OPM on March 25 may be trotted out by some as evidence that such a switch has employee support. But that would be a terrible misreading of the results of the poll. AFGE was given an opportunity to see a draft of some of the poll questions prior to its being implemented. We objected to numerous questions that seemed to be designed to encourage a response supportive of individualized pay for performance. We do not know whether these questions were included in the final poll. The questions we objected to were along the lines of: Would you prefer a pay system that rewarded you for your excellence, even if it meant smaller pay raises for colleagues who don't pull their weight? Do you feel that the federal pay system adequately rewards you for your excellence and hard work? Who wouldn't say yes to both of those questions? Who ever feels adequately appreciated, and who doesn't secretly harbor a wish to see those who *appear* to be relatively lazy punished? Such questions are dangerously misleading.

The only question which needs to be asked of DoD's civilian federal employees is the following: Are you willing to trade the annual pay adjustment passed by Congress, which also includes a locality adjustment, and any step or grade

increases for which you are eligible, for a unilateral decision by your supervisor every year on whether and by how much your salary will be adjusted?

It is crucial to remember that the OPM poll was taken during a specific historical period when federal employees are experiencing rather extreme attacks on their jobs, their performance, and their patriotism. The Administration is aggressively seeking to privatize 850,000 federal jobs and in many agencies, is doing so in far too many cases without giving incumbent federal employees the opportunity to compete in defense of their jobs. After September 11, the Administration began a campaign to strip groups of federal employees of their civil service rights and their right to seek union representation through the process of collective bargaining. The insulting rationale was "national security" and the explicit argument was that union membership and patriotism were incompatible. Some policy and lawmakers used the debate over the terms of the establishment of the Department of Homeland Security as an opportunity to defame and destroy the reputation, the work ethic, loyalty, skill and trustworthiness of federal employees. And out of all of this has come an urgent rush to replace a pay system based upon objective criteria of job duties, prerequisite skills, knowledge, and abilities, and labor market data collected by the BLS with a so-called pay for performance system based on managerial discretion.

In this historical context, federal employees responded to a survey saying that they were satisfied with their pay. In fact, 64% percent expressed satisfaction and 56% believed that their pay was comparable to private sector pay.

But as the representative of 600,000 federal employees, AFGE would suggest that they are satisfied with their pay system, not their actual paychecks. Since the alternatives with which they have been threatened seem horrendous by comparison, expression of satisfaction with the status quo in a survey sponsored by an agency determined to give managers discretion or "flexibility" over pay is no surprise.

Perhaps more important for the subject of pay for performance in the context of the survey is the fact that 80% report that their work unit cooperates to get the job done and 80% report that they are held accountable for achieving results. Only 43% hold "leaders" such as supervisors and higher level management in high regard; only 35% perceive a high level of motivation from their supervisors and managers, and only 45% say that managers let them know what is going on in the organization.

In this context, it seems reasonable to ask if the majority of employees are relatively satisfied with their pay, why the frantic rush to change? If federal supervisors and managers are held in such low regard, how will a system which grants them so much new authority, flexibility, unilateral power, and discretion be in the public interest? How will a pay system that relies on the fairness, competence, unprejudiced judgement, and rectitude of individual managers be

viewed as fair when employees clearly do not trust their managers? Given that less than a third of respondents say managers do a good job of motivating them, is pay for performance just a lazy manager's blunt instrument that will mask federal managers' other deficits?

We are also highly concerned about the introduction of managerial discretion over pay in the context of recent aggressive attempts on the part of this administration to disparage and dismantle important elements of the merit system and provisions of title 5 which protect federal employees from discrimination in hiring, firing, pay, classification, performance appraisal, and which provide for collective bargaining. The current system makes sure that winning a federal job is a matter of what you know, not whom you know. The current system makes sure that the salary and career development potential of that job are a function of objective, job description criteria, not a manager's opinion of an individual worker's "competency" or skin color, gender, religion, age, political affiliation, or union status. Deviations from these protections are not warranted. Our nation has prospered and our government programs have benefited from having a professional, apolitical civil service that is strongly protected from corruption and discrimination. Introducing individualized pay systems that grant enormous power to federal managers regarding pay represents a grave danger to this protection.

The advocates of pay for performance in DoD or elsewhere in the federal government have the burden of demonstrating exactly how and why the General Schedule prevents federal managers from managing for excellence and productivity improvement. They must demonstrate exactly how and why each of the merit system principles will be upheld in the context of political appointees' supervision of managers who will decide who will and will not receive a salary adjustment, who will receive a higher salary for a particular job and who will receive a lower salary for the same job.

They must demonstrate exactly how and why individualized pay for performance is superior to systems that provide financial reward for group and organizational excellence. They must demonstrate exactly how and why paying some people less so that they can pay others more will contribute to resolving the federal government's human capital crisis and attract the next generation of federal workers to public service. They must demonstrate exactly how and why agencies will invest in the training, oversight, and staffing necessary to administer elaborate, federal employee by federal employee pay for performance plans fairly and efficiently. And they must demonstrate that they will be able to secure adequate funding so that pay for performance does not degenerate into a false promise, where discretion is exercised to award higher salaries only to recruit and/or retain particular individuals rather than to reward actual performance.

Allowing the Anti-Taxpayer "Best Value" to Corrupt Public-Private Competition in DoD

Section 405 of DoD's legislative proposal calls for the end of an objective, cost-based competition process. Revealingly, DoD headlined the section "Conversions of Commercial Activities" which recognizes that the best value standard effectively eliminates the standard of full and open competition in favor of a process that is competitive in name only and leads directly to "conversion" to contractors, at something other than the lowest cost for taxpayers. Indeed, the actual legislative language tells most of the story – it says to strike "savings" and insert "best value." What more is there to say? The controversial "best value" competition process allows contractors to submit more expensive and less responsive bids and still win contracts.

Contractors are not happy about losing almost three-fifths of the public-private competitions conducted under OMB Circular A-76. Rather than cut their costs and provide taxpayers with a better deal, contractors want to junk the existing ultimately cost-based process and replace it with a pro-contractor "best value" process.

Instead of making the best decision for taxpayers, i.e., what costs less, acquisition officers would be encouraged to use all manner of subjective criteria to determine the winner of a public-private competition process, including such whimsical notions as a contractor's ability to respond "flexibly" to changing circumstances or the contractor's use of "innovative" approaches.

"Best value" would tilt the field of play even farther in contractors' direction by allowing acquisition officials to ignore the standards established in the solicitation in favor of the "bells and whistles" included in the contractor's offer.

"Best value" would also deny federal employees the opportunity to reformulate their offer in response to a contractor offer that exceeds the standards in the solicitation. If a contractor includes a feature in its bid that DoD thinks should be included in the solicitation, DoD should be allowed to go back and revise that solicitation—and allow both sides to reformulate their bid so that it includes that feature.

Contractors note that "best value" has been used in private-private competition. However, its use has been accompanied by extraordinary controversy and litigation because of its intrinsic subjectivity. Some of its most fervent critics are small business contractors. And it is precisely that subjectivity that makes a "best value" process so dangerous in the context of public-private competition. While it is not possible to systematically discriminate against one group of contractors in favor of another group of contractors, "best value" could be used systematically to discriminate against federal employees in favor of contractors,

especially when wielded by an avowedly pro-contractor Administration that is rushing to review for privatization 850,000 federal employee jobs.

Contractors know that, historically, "best value" competitions between contractors have cost taxpayers more and taken longer to complete. However, they try to justify the use of "best value" by falsely asserting that A-76 currently doesn't allow for qualitative improvements in service. Wrong. As currently written, A-76 allows agencies, under a highly objective process, to establish the standards they want met by federal employees or a contractor, whether they are the same as before or more exacting, and then choose the provider with the lower cost. That's what's best for warfighters and taxpayers.

Unlike other agencies, DoD is protected from a "best value" process by 10 U.S.C. 2462 and 10 U.S.C. 129a. OMB is breaking with bipartisan tradition and encouraging non-DoD agencies to use a pro-contractor "best value" in public-private competitions. However, even OMB acknowledges that there are "special considerations" that must be taken into account with the use of "best value" in public-private competitions and that its use in non-DoD agencies should be limited to a pilot project and that there should be testing before wider application is authorized. There is no reason for DoD to be the guinea pig. If "best value" boosters are so sure their much-criticized process is superior to objective, cost-based competitions, then let them prove it through the experience of non-DoD agencies participating in the OMB pilot project.

In the A-76 rewrite, OMB has created the worst possible "best value" pilot project process, one that would maximize the possibility of bias against federal employees:

The rewritten circular would include two types of privatization processes, sealed bidding and negotiated. The latter process includes three different processes:

1. sealed bidding process
2. negotiation processes
 - a. lowest price technically acceptable process
 - b. cost / technical tradeoff process
 - i. phased evaluation process
 - ii. integrated evaluation process

I did not list the various processes randomly. Rather, I have ranked them in order—from best to worst—with respect to their fidelity to four basic principles of fair competition for government services.

1. While taking into account issues of quality, is the process ultimately cost-based, and thus in the best interest of taxpayers?
2. Does the process minimize possibilities for bias and conflict of interest that could undermine the integrity of competitions?

3. Does the process prohibit the use of inappropriate evaluation factors and subfactors that encourage subjectivity, and thus allow for favoritism?
4. Does the process ensure that all offerors will be evaluated on a common basis?

Sealed bidding is the process that is most faithful to the principles of fair competition because of its emphasis on the objective criterion of cost. The absence of negotiation ensures that competitions under the sealed bidding processes focus on facts and figures in the proposals instead of politics and personalities in the process. Sealed bidding is also the best process because it doesn't use subjective evaluation factors and subfactors and does judge all bids against the same solicitation.

Although involving negotiation, which inevitably introduces the possibility for bias and conflicts of interest, the lowest priced technically acceptable process is the second most faithful because it essentially awards the contract to the technically acceptable proposal that is least expensive to the taxpayers.

The phased evaluation process is similar in nature to the lowest priced technically acceptable process in that there is a prior determination whether the bids are technically acceptable. The crucial difference is that in the phased evaluation, offerors can add features that were not required in the solicitation. However, if the contracting officer decides that the agency needs and can afford the features, the solicitation must be amended, and all other offerors are allowed to compete on the same basis. This process does allow for the unlimited use of subjective evaluation factors and subfactors—the specific weights of which need not be disclosed—that can erode the integrity of the competitions.

The least faithful is the integrated evaluation process. A contractor can offer features that exceed the solicitation's requirements, and the contracting officer can then decide that these features are desirable without ever telling federal employees that their tender should also include those additional features. In other words, federal employees can submit a more responsive and less expensive bid and still lose if the contracting officer changes his mind about what he wanted. Offerors are not being judged on a common basis—a breach which undermines the very essence of fair competition. Like the phased evaluation process, this process does allow for the unlimited use of subjective evaluation factors and subfactors—the specific weights of which need not be disclosed—that can erode the integrity of the competitions. Also like the phased evaluation process, this process actually gives credit to contractors for submitting proposals in excess of the requirements in the solicitation, thus encouraging contracting officers to spend taxpayers dollars too freely, buying what they want, instead of what they need, in violation of the venerable minimum needs doctrine. Even under FAR private-private competitions, there is no requirement to report those,

often excessive, price premiums on any of the standard contract reports under agency contract tracking systems.

Here are my specific criticisms of the regimen of privatization processes established under the rewritten circular.

- a. No guidelines regarding the use of subjective competition processes, even though OMB acknowledges the need for caution.

There are few requirements or limitations regarding the use of competition processes that are not ultimately based on cost. The announcement specifically recognized that there are "special considerations" that must be taken into account with a public-private competition and that, at least with integrated evaluation techniques, there should be limited use and testing before wider application is authorized. (67 Fed. Reg. at 69773) However, that appropriate caution is recognized nowhere in the rewritten circular because there are few hurdles that must be overcome before subjective evaluations based on factors other than price can be authorized.

- b. No traditional preference for sealed bidding, which would minimize management bias against in the in-house workforce.

Negotiation has become unduly popular in private-private competition in large part because contracting officers can much more easily control the outcomes of competitions through their selection of evaluation factors and subfactors and their assignment of weights to those evaluation factors and subfactors. In the context of public-private competition, which is simply politics by other means, such discretion could be systematically used against in-house bids.

Under FAR 6.401(a), sealed bidding should be used if time permits and it is not necessary to conduct discussions with responding offerors about their bids.

The only constraints on time in the context of the rewritten circular are those arbitrarily imposed by OMB, and thus are a wholly inadequate excuse to avoid sealed bidding.

Moreover, an agency's requirements in a public-private competition will be particularly well-known where the work is already being performed by the public sector (i.e., the preparation of the performance work statement will be based on known and previously performed requirements). Moreover, the members of the Source Selection Evaluation Board can be expected to have extensive experience with the activity to be described in the performance work statement.

Under FAR, no government contract can be awarded unless the contracting officer makes an affirmative determination of "responsibility." [FAR 9.103(b)] The detailed requirements for an affirmative determination of responsibility are set forth in FAR 9.104-1, including adequate resources, organization, facilities,

quality, etc. An affirmative determination of responsibility basically requires a finding by the contracting officer that the offeror can perform the contract satisfactorily and in accordance with the required schedule.

An offeror has the burden of convincing the contracting officer that it is "responsible" (i.e., can perform satisfactorily and on time). [FAR 9.103(c).] Contracting officers have broad discretion in making responsibility determinations. The Comptroller General generally will not even question a negative determination of responsibility unless the protester can demonstrate a lack of any reasonable basis for the contracting officer's negative determination.

If the required activities are known, and if an affirmative finding of responsibility must be made reflecting that the public or private sector offeror can perform satisfactorily and in accordance with the required schedule, there should be few circumstances in which it will be necessary to conduct "discussions" with offerors about their bids.

However, the rewritten circular fails to express a strong preference for sealed bidding in all but the most extraordinarily exceptional circumstances.

- c. No preference for the use of a lowest price technically acceptable process in the event it can be shown why sealed bidding absolutely cannot be used.

If it can be conclusively demonstrated that the preferred sealed bidding method is impractical, the secondary preference should be for the lowest price technically acceptable process. The determination of "technically acceptable" is basically a finding that the proposal fully meets the requirements of the performance work statement and that the offeror can perform the contract satisfactorily and in accordance with the required schedule (much like a "responsibility" determination).

In the competitive procurement system, it is the responsibility of the offeror to submit a proposal that fully demonstrates the technical acceptability of the proposal. The offeror has the burden to convince the source selection official "within the four corners of its proposal" that it is capable of performing the contract. If the proposal fails to demonstrate that the offeror can comply, there is a reasonable basis to find the proposal technically unacceptable.

If a proposal or tender does not demonstrate that the offeror can perform the performance work statement "satisfactorily" and in accordance with the required schedule, the proposal or tender is, by definition, not "technically acceptable." Therefore, there is minimum risk to agencies in using the lowest price technically acceptable process. Under these circumstances, the "lowest price" of a technically acceptable proposal assures an objective determination of the "best value" to the agencies.

- d. No limitation on the use of evaluation factors and subfactors, both objective and subjective, in the "best value" process.

The rewritten circular allows an unlimited number of evaluation factors and subfactors to be used in the crafting of the performance work statement, giving contracting officers unlimited opportunities to bias the "best value" process against in-house proposals. For example, in one notorious case, the contracting officer employed 10 factors with each having up to 19 subfactors.

The rewritten circular's "best value" process places no limitations on the use of subjective evaluation factors and subfactors, including those which are, by their nature, not appropriate to apply to public sector competitors operating under civil service and other government directed policies, but which are commonly used in private-private "best value" competitions (e.g., uncompensated overtime, political views, government contracts, vendor relationships, public relations, and business systems and practices).

The rewritten circular's "best value" process would also allow the use of subjective evaluation factors and subfactors that could easily be used by contracting officers to skew competitions. Examples of such highly subjective factors and subfactors that are commonly used in private-private "best value" competitions include vision, reputation, aesthetics, efficiency, intrinsic value, and the availability of pop-up towel dispensers.

- e. No requirement that the weights given to evaluation factors and subfactors, both objective and subjective, be revealed before proposals are submitted.

Although the FAR requires that the "relative importance" of evaluation factors and subfactors be revealed in the solicitation, there is no requirement that the specific weight of all evaluation factors and subfactors be revealed before offerors submit their proposals. That means contracting officers can wait until offerors have submitted their proposals until deciding how much weight to give the objective and subjective evaluation factors and subfactors. The possibilities for gaming the system are as numerous as there are evaluation factors and subfactors.

- f. No requirement that federal employees be given a chance to reformulate their proposal if the contracting officer changes the solicitation in the "best value" process.

The integrated evaluation "best value" competition process is particularly discriminatory against in-house proposals. Federal employees can submit a less expensive, more responsive proposal—and still lose if the more expensive, less responsive contractor proposal includes a feature that management did not include in the performance work statement but subsequently determines is desirable. This arrangement maximizes the possibility for anti-federal employee bias. If an offer that exceeds requirements contains a feature that is sufficiently important, the solicitation should be amended to permit competition from all offerors for the additional feature (as is done in rewritten circular's phased evaluation "best value" competition process). "Innovation" should be encouraged to perform the government's requirements. However, if different performance

standards are to be permitted, the solicitation should specifically describe the alternatives to be permitted, or the solicitation should be amended to incorporate the higher performance standard desired by the agency.

- g. Despite OMB protestations about reviewing for privatization as many as 1,000,000 federal employee jobs in order to save dollars for taxpayers, the rewritten circular's "best value" process would not require cost to be emphasized in the weighting of evaluation factors and subfactors.

If OMB is really interested in using privatization to save money, why does the rewritten circular not assign a minimum weight to cost of at least 75%, especially considering that contracting officers can still obtain assurance that the offerors are technically qualified and otherwise able to perform satisfactorily through diligent responsibility determinations?

If OMB is really interested in using privatization to save money, why does the rewritten circular not specify that solicitations include a maximum amount or percentage by which the award price can exceed the cost of the lowest offer from a responsible offeror (i.e., the "price premium" paid for factors other than cost)?

If OMB is really interested in using privatization to save money, why does the rewritten circular's "best value" process allow offerors evaluation credit for exceeding the requirements of the performance work statement? If there is a "need" for higher performance, service, or quality, it should be set forth in the original solicitation so that all offerors have a fair opportunity to compete. Giving extra evaluation credit for exceeding the agency's requirements violates the historical "minimum needs" doctrine (i.e., that the federal government has implied authority from an appropriation of funds to purchase only what it needs, not what it wants). The practice of giving credit for exceeding requirements also is subject to corruption by "leaking" desired features that are not contained in the performance work statement.

- h. The rewritten circular's use of "past performance" is intrinsically biased against in-house proposals.

Actual Text [Attachment B, C.2.a.(13), page B-7]: *"Solicitation requirements for the following shall not apply to an Agency Tender:...(6) past performance criteria."*

FAR 15.304 requires evaluation of "past performance" in all competitions, although it provides an out if a contracting officer "documents the reason 'past performance' is not an appropriate evaluation factor for the acquisition." The FAR also provides that if an offeror has no record of "past performance," the offeror "may not be evaluated favorably or unfavorably" on this factor. Historically, GAO has allowed agencies broad discretion in determining how to proceed. GAO has held that a Source Selection Authority, in making a trade-off decision, can weigh the value of a good (or poor) "past performance" rating

against a neutral rating and conclude that the proposal with a good "past performance" rating offers better value than the offeror with a neutral rating. If this rule applies here, in competitions where cost and other technical factors are close a contractor's good "past performance" rating can make the difference and result in a decision in favor of the contractor on the basis of a factor not applicable to the agency. In other words, the approach to "past performance" could skew the evaluation results against the in-house bidder.

Actual Text [Attachment B, C.2.a.(13), page B-7]: *"For agency tenders where a government MEO has been implemented in accordance with...a previous competition, the Contracting Officer shall include Agency Tender past performance criteria in the solicitation and evaluation criteria..."*

The actual text includes references that are either mistaken or do not exist. Moreover, it is not clear if the MEO is to be evaluated on the same "past performance" criteria as contractor offerors. If so, that would be clearly inconsistent with the basic requirement of competition that all offerors be evaluated on a common basis.

- i. Arbitrary imposition of a performance based standard on all privatization efforts.

Actual Text [Attachment B, C.2.a.(1), page B-5]: *"A performance work statement that is developed in a Standard Competition shall be performance based with measurable performance thresholds and may encourage innovation."*

Under performance based contracting, the contracting officer essentially specifies the outcome or result it desires and leaves it to the contractor to decide how to best achieve the desired outcome. Obviously, this is a standard that should be used with considerable caution.

The rewritten circular's blind mandate for the use of performance based service contracting is clearly premature. A recent GAO review "raise(d) concern as to whether agencies have a good understanding of performance based contracting...Agency officials themselves pointed to the need for better guidance on performance based contracting and better criteria on which contracts should be called 'performance based.'"

Moreover, many activities targeted for privatization are clearly unsuitable for performance based contracting because they present the sort of safety, cost, and technical risks that require that contracting officers be prescriptive and exert rigorous oversight.

Performance based contracting is clearly inappropriate for all but genuinely fixed-price contracts. If a contractor is going to determine precisely how a service should be provided, it is clear that he should be held to a fixed price. Cost reimbursement contracts or fixed price contracts that include cost evaluations are

clearly incompatible with performance based service contracting. Otherwise, a contractor would have an obvious incentive to prescribe the most expensive and lucrative methods to fulfill the contract.

After ensuring that the decision whether to use performance based contracting is: a) handled on a case-by-case basis, b) is deemed appropriate only for the most common services, and c) is restricted to only genuinely fixed-price contracts; it is imperative that any performance based service contracting include detailed requirements in terms of results, strong performance standards, and comprehensive quality assurance plans.

In addition, AFGE is strongly opposed to the Pentagon's latest privatization proposal to eliminate the safeguard included in 10 U.S.C. 2465 against contracting out the important work performed by fire fighters and security guards.

The Threat to Eliminate In-House Depot Maintenance and Arsenal Capabilities

Section 214 of the DoD proposal would lead to the destruction of any in-house depot maintenance capacity by radically changing the 50/50 rule governing the split of depot maintenance workload between federal employees and contractors. Under the Pentagon's proposal, contractors would keep their 50% of the depot maintenance workload and then be given a chance to gradually take away the 50% of the work performed by federal employees.

Without that safeguard DoD would have privatized all public sector depot maintenance workload long ago. Although chronically underfunded, the depots are the one part of DoD that has managed to escape the devastating consequences of DoD's self-inflicted "human capital crisis," precisely because of rules like 50/50, that ensure a strong in-house capability.

It is important to note that even with the necessary statutory safeguards, depot employees are still better service providers than their contractor counterparts. According to GAO, depot prices are lower for 62% of items repaired by both depots and contractors.

The Pentagon's recommendation ignores the reason for having public sector depots--so the warfighters always have a reliable capability to maintain national security-critical hardware that can respond instantly to ever-changing geopolitical conditions.

Some may try to sell this unwise proposal by arguing that the only way depots will be able to bring more work on site, and thus make the installations less vulnerable to the next round of base closure, will be through public-private partnerships, and that the only way to establish such partnerships is by gutting the 50/50 rule. Wrong. Per 10 U.S.C. 2474, work performed by contractors at depots with Centers of Industrial and Technical Excellence, which were

established by the Congress precisely to encourage public-private partnerships, doesn't count towards the 50/50 rule. Consequently, there is no rationale for gutting the 50/50 rule other than destroying the in-house depot maintenance capacity.

AFGE is also concerned about the privatization threat faced by the Army's arsenals. Per 10 U.S.C. 4532, Secretary White could "abolish any United States arsenal that he considers unnecessary" without any Congressional input. Given the Army's "Third Wave" privatization bias, it is imperative that such unfettered discretion be restricted, perhaps in the same fashion as the Congress restricted Secretary White's discretion to privatize, divest, or transfer the Corps of Engineers in the FY03 Omnibus Appropriations Bill.

The Service Acquisition Reform Act (SARA)

Last year's version of SARA was a lengthy service contractor wish-list that would, have, among other things, drastically reduced government oversight of service contractors, created many additional possibilities for service contractor conflicts of interest, substantially reduced competition between service contractors, and significantly increased the losses to taxpayers from service contractor waste, fraud, and abuse. This year's version (H.R. 1837) was introduced just two days earlier, and was the subject of a hearing in the House Government Reform Committee yesterday. According to experts, this year's version is very similar to last year's version.

Among other things, the SARA legislation encourages the use of risky share-in-savings contracts, which are proven losers and completely antithetical to public-private competition. Share-in-savings contracts are grievously mislabeled since they require agencies to borrow from contractors at high interest rates in exchange for services. This form of contracting has been criticized for locking agencies into long-term contracts that prevent shifting to superior contract or in-house options. Moreover, according to testimony on last year's SARA by Angela Styles, Administrator of OMB's Office of Federal Procurement Policy, although in existence for more than 25 years, share-in-savings contracts have not produced any savings.

A recent Inspector General (IG) investigation determined that a Department of Education experience with share-in-savings was actually disastrous, contrary to assertions made by proponents of the controversial techniques who had actually celebrated the contract's "success." According to the IG, "Performance measures were so inadequate that it could not be determined if the contractor was in compliance with the terms of the contract. There was no annual comparison of costs under the agreement to an outside market to determine whether the agreement actually provided the "best value". Even more alarming,

an overstated baseline "create(d) a larger contractor payment than is actually earned."

Finally, the use of share-in-savings is indisputably anti-public-private competition and clearly promotes privatizing the jobs of federal employees without giving them a chance to compete.

Privatizing the Jobs of Federal Fire Fighters

Federal firefighters don't just perform structural fire suppression work. They are responsible for fire prevention, education and training; fire alarm and fire suppression; system maintenance and inspections; fire incident investigations; hazardous materials incident mitigation and abatement; emergency medical services; and terrorism involving weapons of mass destruction. They are trained to respond to airplane crashes, nuclear and biological incidents on land as well as aboard ships.

Many Department of Defense (DoD) installations are located in relatively isolated areas. The fire departments in the local municipalities surrounding them rely on volunteers to perform fire suppression functions. Even those who maintain paid fire departments do not employ firefighters with the requisite skills and knowledge to handle the responsibilities now performed by federal firefighters.

Contractor fire fighters have consistently proven unable to respond to emergencies within the maximum times set by the National Fire Prevention Association. These response times constitute national standards, and pursuant to the National Technology Transfer Act, have been adopted by DoD. And where contracts were in place prior to the establishment of the safeguard, DoD has not demonstrated any cost savings.

Because the lives of members of the Armed Forces and civilians are at stake, because expensive military hardware vital to national security is at risk, and because only highly-trained and certified federal firefighters are capable of performing tasks as varied as providing emergency medical services, responding to nuclear and biological incidents and serving as the response team to any weapons of mass destruction incident, there has always been bipartisan support for preventing DoD from cutting corners by contracting for fire fighting functions on installations. We urge the committee to reject Section 211 of the DoD legislative proposal.

Privatizing the Jobs of Federal Security Guards

The rationale used by the Congress when it established the safeguard against contracting these jobs is still valid: to prevent DoD from being penny-wise and

pound-foolish with the security of military personnel, civilian personnel, military hardware, and military installations.

Over the last several years, DoD has systematically replaced federal employees with contractors, regardless of the impact on readiness, regardless of the impact on costs, regardless of how badly service contracts are administered, and regardless of how infrequently federal employees are allowed to compete in defense of their jobs. Considering that record, it would be a dangerous folly indeed to allow DoD additional authority to contract out work performed by reliable and experienced federal employees, especially when it's related to security.

Contracting out security is particularly ill advised in the aftermath of the September 11, 2001, terrorist attacks. The Congress and the President agreed that the safety of the skies could not be guaranteed without federalizing the screening of passengers and baggage. Why would the nation's defense installations deserve less protection than the nation's commercial airports? Members of Congress insist, and appropriately so, are protected by reliable and experienced federal employees in the U.S. Capitol Police. The military and civilian personnel at our defense installations, which are obvious targets for future terrorist attacks, deserve no less security. The American people learned an invaluable lesson in the aftermath of September 11: a contractor's emphasis on the bottom line must never again take precedence over public safety or national security.

Conclusion

Pentagon officials have argued their case as a plea for freedom – freedom to waive the laws and regulations that comprise the federal civil service – so that the nation's security can be assured. We ask Members of the Subcommittee to consider that our opposition is a plea for freedom as well – freedom *from* political influence, freedom from cronyism, freedom from the exercise of unchecked power. As the Defense Department is not a private corporation, the pressures of the competitive market will not hold it accountable for mismanagement or cronyism. That is why government agencies operate under a set of laws and regulations set by the Congress; that way, taxpayers and government employees are guaranteed freedom from coercion and corruption.

We have no reason to suspect that there is any intention to abuse the power DoD has sought for its Secretaries of Defense. Nevertheless, history has shown that a concentration of power in the hands of one individual does not necessarily translate into success on the battlefield. Our nation's tradition of checks and balances on power has been tremendously successful in allowing our military the freedom to pursue our nation's security interests at the same time that the public

and the civilian workforce are allowed freedom *from* unfettered military authorities.

As I stated above, AFGE has always supported our nation's military mission, and we remain ready and willing to sit down with Pentagon leaders to work collaboratively to solve any real problems they have experienced with regard to accomplishing that mission that can be traced to the civil service infrastructure. The DoD proposal, however, would effectively eliminate any opportunity for collaboration between DoD management and its civilian workforce. I urge the Subcommittee in the strongest possible terms to reject this legislation and the processes that led to its presentation. Further, I urge you to recommend to the Pentagon a resumption of dialogue with its unionized workforce.

This concludes my testimony, and I would be happy to answer any questions Members of the Subcommittee may have.

DOCUMENTS SUBMITTED FOR THE RECORD

MAY 1, 2003



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TESTIMONY
of

G. JERRY SHAW

GENERAL COUNSEL, SENIOR EXECUTIVES ASSOCIATION

On

THE PROPOSED DEFENSE TRANSFORMATION
FOR THE 21ST CENTURY ACT OF 2003

Before the

HOUSE COMMITTEE ON ARMED SERVICES

May 1, 2003

Mr. Chairman, the Senior Executives Association (SEA) appreciates the invitation to provide its views on the very recently proposed legislation from the Department of Defense that would dramatically overhaul its personnel system. We comment today on those parts of the legislation that will affect the Senior Executive Service. We further note that at least one part of the proposed bill affects the Senior Executives Association and its ability to act on behalf of its DoD members, and we also comment on that provision.

Our first observation is the speed accompanying the consideration of the DoD proposal. It was only sent to Congress the week before last and is headed in short order to closed markup hearings in both the House and Senate Armed Services Committees. It is not clear what is prompting such speedy consideration on a fast track which wasn't even accorded the legislation creating the Department of Homeland Security. At a minimum, the radical and untested nature of many of the proposals requires much more deliberation and consideration, especially considering the government-wide fallout that will undoubtedly occur as a result of the DoD proposal, if it is enacted.

SEA is proud of its representation of its members and at the same time its promotion of good government policies. We have for the past 23 years advocated a flexible and responsive Senior Executive Service, and we stand ready to work with Congress to implement necessary changes to the federal human resources system to the extent greater flexibility and responsiveness is needed.

One of the most significant good government initiatives that has consistently driven SEA policy is ensuring laws that allow for a vibrant career Senior Executive Service that can interact with political appointees without fear of reprisal or unfair branding when a political administration changes. Many of the parts of chapters 31, 33, and 35 of Title 5 are designed in large part to create an environment of a flexible Senior Executive Service with just enough protection so that career senior executives will not be unfairly subjected to politically motivated treatment.

Examples of the flexibility that agencies currently have include the right to reassign an executive to any SES position at any time, the right to remove for less than fully successful performance without a hearing or other recourse, the absence of grievance rights for performance appraisal ratings, and the authority to lower an executive's pay one level per year. SEA stands ready to participate and promote further flexibilities, as needed, but remains concerned that the DoD proposal has gone too far and allows so much flexibility that the risk is that DoD's career Senior Executive Service contingent could be replaced by political appointees and a politically driven executive corps that would be beyond the oversight or control of Congress or OPM.

The first section of the bill proposes a new section 9902 to be added to Title 5 which would require the Secretary to work with the Director of OPM in developing a new personnel system - unless the Secretary determines that national security requires him to act alone, in which case he can proceed without the OPM Director. We consider this provision to be particularly dangerous, especially since it applies to the basic design and adjustment of DoD's human resources system. We believe OPM's role is critical to assure full adherence to merit system principles. This is especially true considering OPM's government-wide role and the large

numbers of federal employees at DoD, including more Senior Executives than at any other agency.

The first portion of the proposed bill goes on to propose the flexibility to totally transform the DoD personnel system. The bill appears to have used the Homeland Security Act of 2002 as a model for creating a flexible personnel system in DoD similar to the authority given to Homeland Security last year. But DoD's bill goes much further allowing much greater flexibility and authority to the Secretary. In fact, it allows the Secretary to totally eviscerate the current system and to substitute in its place whatever he wishes without any review or restriction imposed by OPM or by Congress. Our comments are restricted to this first portion of the bill.

During the summer and fall of 2002, much debate occurred about the new Department of Homeland Security and the degree of flexibility needed to accomplish its mission. The premise of this need for personnel flexibility was the anticipated difficulty in merging 22 different federal organizations with 22 different cultures into one new department so that effective homeland security would be the result. No similar need or argument is advanced by DoD in making its request for even greater authority than has been granted to the Secretary of Homeland Security. In fact, DoD appears to have functioned quite well in the recent Iraqi War, and no examples or detailed rationales have been provided to justify the request for this additional personnel authority.

In particular, the Senior Executive Service has worked efficiently and effectively for 25 years now in DoD and is a model of an efficient, effective leadership corps that is performance and merit based. At a minimum, any reforms to the DoD personnel system should not destroy or minimize the existing structural components of the career Senior Executive Service that are designed to assure the efficient operation of a career civil service subject to the direction of its political leadership. These components to the SES structure were developed by Congress and were designed to provide a flexible career executive service that is free from political influence, but at the same time one that is subject to direction from the political appointees that career executives work with so closely.

Last summer, when SEA participated in the debate on the new Department of Homeland Security, we raised many of these same concerns. The result of our effort was an assurance by the House Select Committee on Homeland Security that the basic structure of the SES, as contained in chapters 31,33 and 35 of Title 5, United States Code, would not be disturbed. In other words, these chapters would not be part of the President's flexibility. In fact, our concerns led the then Chairman of the House Select Committee on Homeland Security, Representative Rob Portman, to write a letter to the editor of New Republic magazine in which he stated his support for the SES and specifically stated that the Homeland Security Bill sought to preserve the Senior Executive Service as it currently exists. Ultimately, the SES was fully preserved in the Homeland Security Act that is now law. And no one suggests that more flexibility in connection with the structure or rules of the SES is needed for the new Department of Homeland Security, even given its critical and sensitive mission.

DoD BILL PROPOSED PERSONNEL SYSTEM FLEXIBILITY

The Department of Defense now proposes that the Secretary of Defense have flexibility over all of those statutory provisions that govern the Senior Executive Service except for 5 U.S.C. sections 3131 and 3132(a). These two statutes, for which there is no flexibility, define the basic principles of the SES. The remaining SES statutes, for which flexibility is proposed, provide the important, but minimal, standards which govern the structure and operation of the SES. Some of the provisions affecting the SES for which flexibility is proposed are those requiring and implementing career reserved positions; limiting the number of noncareer SES; limiting temporary SES appointments; requiring the qualifications review procedure now performed by OPM; imposing the 120-day get acquainted rule and the 60-day notice of a geographic reassignment, allowing for fallback rights to GS positions for career employees who have entered the SES; providing for RIF procedures based primarily on performance, and eliminating performance review board protections and Merit Systems Protection Board (MSPB) appeal rights. As explained below, each of these statutory provisions is an important civil service protection that prevents politicization and misuse of the career Senior Executive Service.

Career Reserved Positions

Section 3132(b) of Title 5, United States Code, defines the term "career reserved position" as a position that may only be filled by a career appointee because the public requires confidence that the incumbent of the position is free from political influence. Examples of such positions are law enforcement and auditing. It is difficult to imagine why the DoD needs flexibility on this provision. Except for some positions that are required by law, the agency itself, with OPM's help, decides whether a position is general or career reserved based on a statutory definition. If public confidence requires that a position be reserved to a career appointee, the Secretary of Defense should not have the "flexibility" to place a political appointee into the position. Career reserved positions protect the public because they assure that the law is enforced without political considerations influencing required or necessary government action. This is an important protection to the operation of government and to the protection of the public, and it must be maintained.

Noncareer SES

Subject to exceptions granted by OPM, current law requires that no more than 10% of the Senior Executive Service, government-wide, be non-career appointees, with no more than 25% in any one agency. The Volcker Commission Report recently issued strongly advocates a reduction in the number of political appointees with a greater reliance on career appointees. Under these circumstances, there appears to be no justification for greater flexibility to permit the Secretary to appoint unlimited political Senior Executives.

Limited Appointments

At present, an agency may appoint temporary Senior Executives to fill emergency or special project needs. These appointees are limited to 5% of the SES positions and are also subject to time limitations. To prevent the SES from being filled with temporary appointees who

have not been subjected to a competitive process or a qualifications review, these current limitations are reasonable. No case has been made that the system that has worked well for 25 years is inadequate or that greater flexibility is needed.

Qualifications Review Boards

One of the most important protections for the career Senior Executive Service and the public it serves is the OPM-administered Qualifications Review Board process. This is a test all career senior executives must pass before they can receive their appointments. It assures that the appointee is truly qualified and that the appointment is free from political influence. The process is quite efficient and does not cause delays in the appointment of career senior executives. OPM completes these QRB functions on average within two weeks of the submission by the agency. No reason exists for excusing DoD from this reasonable process that ultimately protects the American public by assuring that only qualified applicants are admitted to the career SES.

120-day get Acquainted Period

This statute assures that a new political administration will give career Senior Executives at least 120 days to demonstrate their capabilities before effecting a permanent reassignment. Often a truly effective career SES will be unfairly labeled by an incoming political Administration or appointee as favoring the outgoing political party when the executive has merely fulfilled his or her responsibilities in carrying out appropriate policies. This 120-day get acquainted rule is an important protection that in the long run actually helps the government run more effectively. Again, no flexibility is needed.

60-day Notice of Geographic Reassignment

Senior Executives are, by definition, mobile and subject to reassignment at the pleasure of their agency. Nonetheless, an immediate reassignment to a new geographic location would obviously be unreasonable in all but the rarest case and could be used to punish the executive. The 60-day notice period, in fact, does not prevent the immediate detail of the Senior Executive to a new location if urgently needed, but it does allow for payment of per diem for the first 60 days. This is not an unreasonable requirement and no flexibility is needed. Certainly, no case has been made indicating that the current procedure is restrictive or cumbersome.

Fallback Rights

Current law gives career employees who enter the SES from lower level career positions the right to return to the grade level from which they were appointed if they are removed from the SES for less than fully successful performance, removed because a reduction in force, or if they do not pass their probationary period. If flexibility is granted to the Secretary of Defense to at any time change this or eliminate these fallback rights, serious consequences could result. Many career employees may choose not to seek SES positions on the mere possibility that DoD could issue an internal regulation taking away these fallback rights and then ending an employee's career solely by virtue of his or her acceptance of an SES position.

RIF Procedures Based Primarily on Performance

Over the years, much criticism has centered around the governments' seniority based reduction in force rules. However, this has never been the case with the Senior Executive Service where the RIF statute has always given agencies total flexibility to design their SES RIF procedures with the only requirement that it decide which executive to release as a result of a RIF primarily on the basis of performance. This existing law has it right and again no further flexibility is required.

The Role of the Merit Systems Protection Board and Agency Performance Review Boards

When the Homeland Security legislation was debated, SEA opposed elimination of MSPB appeal rights for federal employees and flexibility to eliminate Performance Review Boards for Senior Executives. The Homeland Security Act that was finally enacted does provide for flexibility in both these areas but the personnel system that will implement these changes has not yet been designed or tested. We do not know whether the reforms will even take place, much less whether they will work. It is premature and unnecessary to enact similar flexibilities at DoD when the MSPB appeal system and SES PRB system appears to be working everywhere in government without significant complaint. The need for flexibilities that motivated reforms in Homeland Security do not necessarily apply at DoD. We urge that this flexibility be dropped from the bill pending further justification.

ADDITIONAL PERSONNEL AUTHORITY IN DoD BILL

One provision proposed by DoD which SEA supports for government-wide applicability is the provision that annuitants can be re-employed by agencies without loss of their annuities. Currently, only OPM can authorize this. SEA believes that agency heads should be able to decide whether an annuitant is so valuable that he or she should be re-employed and the agency head should have the authority to pay full salary without loss of annuity if this is necessary to attract valued retirees back to needed service.

The bill also proposes a new section 9904 to Title 5 that would allow the Secretary the authority to appoint "highly qualified experts." These appointments would be for up to six years. The proposed statute contains no limit on the number of these appointments nor does it provide standards for what types of positions are to be filled by these highly qualified experts. The bill proposes to pay these experts up to the maximum now allowed by statute for base pay for Senior Executives plus full locality pay (not allowed for Senior Executives) plus an additional amount of up to 50% of salary. SEA's concern about this is: (1) no case has been made for the need for such sweeping authority; (2) the entire career SES could be supplanted by appointments of these highly qualified experts; and (3) it would lead to further fragmentation of the SES corps at a time when the future structure of a government-wide SES corps is about to be debated as a result of proposals in the Volcker Commission Report and ideas that have floated out of OPM for the last several years.

We have addressed our concerns about fragmentation before and some of it deserves repeating. The failure to address pay compression - coupled with the desire for flexibility and an "each agency for itself" mentality - is leading to more and more splintering of what was once a government-wide Senior Executive Service. We now have the Senior Biomedical Research Service, the FAA Executive system, the IRS critical pay positions, the Defense Intelligence SES, and on and on.

This proliferation of systems inhibits effective oversight of the executive corps, as well as effective management of what should be a government-wide corps, the critical human resource provided by the top career executive leadership. Also inhibited will be opportunities for mobility, for executives to move between agencies, either for professional revitalization or for the good of the government, as they will be restrained by the very different systems - whether qualifications or pay - operated by each agency.

SEA supports careful study and review of the Senior Executive Service structure and urges that it have government-wide applicability. Without this further study, we recommend against provisions like that proposed in the DoD bill for sweeping reforms of the Senior Executive Service and creation of a whole new category of highly compensated employees.

One final note is the provision on collaboration with employee organizations in the DoD Bill. Because SEA is a professional association and is not the exclusive representative of its members, the DoD bill proposes to offer collaboration to organizations such as SEA on the design of the new personnel system solely at the discretion of the Secretary. This is markedly different from the Homeland Security Act of 2002 where SEA's participation in the design of a new personnel system is assured. SEA urges similar language in the DoD bill requiring consultation with groups similar to SEA if Congress decides that DoD should have the authority to design a new personnel system.

CONCLUSION

The Defense Transformation for the 21st Century bill proposes sweeping changes, not just in the SES, but in the rest of DoD's civil service work force. Some of these changes may well be needed or even a good idea. For example, it seems to make sense that DoD have just one personnel system for its GS workforce, and it should be able to implement some of its best practices. Also, SEA supports DoD's efforts to achieve relief from some of the more draconian provisions of Title V that inhibit its ability to hire and compensate the executive workforce it needs. Nonetheless, we believe the basic principles we have outlined above are the minimal provisions that must be retained in statute to retain the integrity of the career Senior Executive Service.



Federal Register

**Wednesday,
April 2, 2003**

Part II

**Department of
Defense**

Office of the Secretary

**Science and Technology (S&T)
Reinvention Laboratory Personnel
Management Demonstration Program;
Notice**

DEPARTMENT OF DEFENSE

Office of the Secretary

Science and Technology (S&T)
Reinvention Laboratory Personnel
Management Demonstration Program

AGENCY: Office of the Deputy Under Secretary of Defense (Civilian Personnel Policy), DoD.

ACTION: Notice of amendment of demonstration project plans.

SUMMARY: Section 342 of the National Defense Authorization Act for Fiscal Year 1995, as amended by Section 1114 of the National Defense Authorization Act for Fiscal Year 2001, authorizes the Secretary of Defense to conduct personnel demonstration projects at Department of Defense (DoD) laboratories designated as Science and Technology (S&T) Reinvention Laboratories. The above-cited statute authorizes the Department of Defense to conduct demonstration projects that experiment with new and different personnel management concepts to determine whether such changes in

personnel policy or procedures would result in improved Federal personnel management.

DATES: This amendment to the listed demonstration project plans may be implemented as early as the date of publication of the final notice of this change in the *Federal Register*. Implementation strategies will be developed over time as appropriate. Upon implementation, and upon completion of appropriate bargaining obligations for applicable bargaining units, the changes in this amendment shall supersede all previously published *Federal Register* notices that established or modified demonstration projects at one or more DoD S&T reinvention laboratories. The Department of Defense will consider written comments if received no later than May 2, 2003.

ADDRESSES: Send written comments to Patricia M. Stewart, CPMS-AF, Suite B-200, 1400 Key Boulevard, Arlington, VA 22209-5144.

FOR FURTHER INFORMATION CONTACT: Patricia M. Stewart, CPMS-AF, Suite B-200, 1400 Key Boulevard, Arlington, VA 22209-5144.

SUPPLEMENTARY INFORMATION:

1. Background

In March 2002, the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) directed the establishment of the Department of Defense (DoD) Human Resources Best Practices Task Force. The Task Force, consisting of representatives from both the human resources and functional communities, was chartered to review all demonstration projects in the Federal government, plus alternative personnel systems such as the one in operation within the National Institute of Standards and Technology (NIST).

The purpose of this review was to compile best practices that show promise in terms of DoD's civilian human resources strategy. The Task Force identified best practices by reviewing initiatives that have been subject to testing and evaluation in demonstrations and alternative personnel systems (APs). The demonstrations and APs the Task Force reviewed are listed in Figure 1.

FIGURE 1.—DEMONSTRATION PROJECTS AND APS REVIEWED

Demonstration or APS	Type of demonstration or APS	Department or agency	Name of project or APS
Demonstration	Workforce	Defense	Civilian Acquisition Workforce (AcqDemo).
Demonstration	Science and technology reinvention lab (STRL)	Army	Army Research Laboratory (ARL).
Demonstration	STRL	Army	Aviation & Missile Research, Development, & Engineering Center (AMRDEC).
Demonstration	STRL	Army	Engineer Research & Development Center (ERDC).
Demonstration	STRL	Army	Medical Research & Materiel Command (MRMC).
Demonstration	STRL	Navy	Naval Research Laboratory (NRL).
Demonstration	STRL	Navy	Naval Warfare Centers (NWC).
Demonstration	STRL	Air Force	Air Force Research Laboratory (AFRL).
Demonstration	Civilian agency	Commerce	Department of Commerce (DoC).*
APS	Workforce	Defense	National Imagery & Mapping Agency (NIMA).
APS	Civilian agency	Commerce	National Institute of Standards & Technology (NIST).

* This demonstration covers units within the following four organizations: Economics and Statistics Administration, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, and Technology Administration.

Some current APSs are not shown in Figure 1. For instance, the APS at the General Accounting Office (GAO) was not fully implemented by mid-April 2002, and the APSs for the Federal Aviation Administration (FAA), Internal Revenue Service (IRS), and Bureau of Alcohol, Tobacco, and Firearms (ATF) were either recently implemented or limited in application. Finally, in addition to demonstrations and APSs, the Task Force considered the outcome of the 1997 Personnel System Initiative (PSI), a DoD-initiated collaborative effort that involved the Department of Defense, the Office of Personnel

Management (OPM), and union representatives.

In May 2002, USD(P&R) and the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) communities received the Task Force's in-process review briefing, followed in July 2002 by the Task Force's final briefing. From August through December 2002, a steering group of senior leaders reviewed, revised, and approved Task Force products with the intention of broadly applying these results as best practices.

2. Overview

Personnel demonstration project best practices encompass the following

areas: (1) Pay banding; (2) classification; (3) hiring and appointment authorities; (4) pay administration; (5) pay-for-performance evaluation system; (6) expanded sabbatical authority; (7) volunteer emeritus program; and (8) revised reduction-in-force (RIF) procedures.

Dated: March 26, 2003.

Patricia L. Toppings,
Alternate OSD Federal Register Liaison
Officer, Department of Defense.

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I. Participating Organizations and Collective Bargaining Requirements

A. Participating Organizations

This amendment applies to all current and future organizational entities designated as DoD science and

technology reinvention laboratories by the Secretary of Defense or by any future applications required by law. Currently, there are eight science and technology reinvention laboratory demonstration projects, as follows:

- Department of the Army—Army Research Laboratory; Aviation and Missile Research.
- Development, and Engineering Center; Communications-Electronics Command Research.
- Development, and Engineering Community; Engineer Research and Development Center; Medical Research and Materiel Command.
- Department of the Navy—Naval Research Laboratory; Naval Sea Systems Warfare Centers; and
- Department of the Air Force—Air Force Research Laboratory.

B. Labor-Management Responsibilities

Participating organizations must fulfill any collective bargaining obligations to unions that represent employees covered by the personnel demonstration project best practices (hereafter referred to as "best practices" or "BP"). Employees within a unit for which a labor organization is accorded exclusive recognition under chapter 71 of title 5, United States Code, shall not be covered by this amendment unless the exclusive representative and the participating organization have entered into a written agreement covering participation in and implementation of the personnel demonstration project best practices.

II. Mass Conversion to Personnel Demonstration Project Best Practices (BP)

Procedures under II. Mass Conversion to BP, apply only to DoD employees upon initial conversion of their organization, or a portion thereof, into BP.

A. Conversion of General Schedule (GS) Employees

These procedures apply only to GS employees upon initial mass organization-wide conversion into BP.

1. Determination of Career Group (CG)

General Schedule employees will be converted into the CG that corresponds with the occupational series (and in some cases, GS grade) of their GS position, in accordance with III.A. and III.B.

2. Determination of Pay Band Level

General Schedule employees will be converted into the pay band level, within the appropriate CG, that

corresponds with their existing GS grade.

3. Pay Setting

Initial entry into BP will ensure each employee is placed in the appropriate CG and pay band level without loss of pay.

a. Concurrent Geographic Move. For any employee who incurs a concurrent geographic move on the date of mass conversion, pay entitlements shall be based on the new geographic area.

b. Concurrent Pay Actions. Any pay actions (e.g., within-grade increase (WGI)) effective on the date of conversion will be processed before the conversion.

c. Within-Grade Increase (WGI) Buy-In. Employees whose existing rate of basic pay is less than step 10 of the applicable GS grade before conversion will receive a prorated "buy-in" of a WGI, unless documented performance is not at an acceptable level of competence. Employees in a pay retention status at the time of conversion will not receive a within-grade buy-in adjustment.

The WGI buy-in will be funded from the BP initial year's pay pool (which consists of the general pay increase). This "buy-in" is applicable to employees only at the initial entry of the employee's organization into BP.

On the effective date of conversion, the employee's rate of basic pay will be adjusted by an amount equal to the prorated value of a WGI. The amount to be added to the employee's rate of basic pay is computed by determining the value of the elapsed creditable days in the employee's current waiting period toward the next WGI and adding that amount to the employee's existing rate of basic pay. Using the following formula, the WGI buy-in is calculated: (Elapsed days in waiting period Number of days in waiting period) × Value of WGI = Prorated value

Prorated value + Existing basic pay = New basic pay upon mass conversion into BP

d. Special Salary Rates (SSRs). When the maximum special salary rate (SSR) of the GS grade (that matches the highest GS grade incorporated into a pay band level) exceeds the maximum rate, adjusted for locality, of the pay band level, the maximum rate of the pay band level is extended to equal the maximum SSR for the occupational series and geographic area covered. Employees in such positions will receive a special salary rate supplement in lieu of a locality factor for the geographic area. SSR procedures described at VI.A.2. will be followed.

Existing SSRs will no longer apply to a BP employee when the maximum SSR of the GS grade that matches the highest GS grade incorporated into a pay band level is equal to or less than the maximum rate, adjusted for locality, for the pay band level. The pay of employees in such positions will be recomputed upon conversion to include the full locality factor for the geographic area.

Adverse action and pay retention provisions will not apply to the conversion process, as there will be no change to employee total pay.

4. Fair Labor Standards Act (FLSA) Exemption

Employees will be converted using their existing FLSA exemption status.

5. Employees on Grade Retention

Grade retention will terminate upon mass conversion into BP. Before conversion into the BP, the employee's pay will be adjusted by an amount equal to the prorated value of a WGI for the retained grade, using procedures under II.A.3.c. The employee will be placed in the CG and pay band level that correspond to the new GS grade. If the employee's adjusted pay exceeds the rate range for the assigned pay band level, the employee will be placed on pay retention not to exceed 2 years, effective on the date of conversion into BP.

6. Employees on Pay Retention

Employees on pay retention at the time of mass conversion are converted into BP to the CG and pay band level that correspond to their GS occupational series and grade. If the existing rate of pay exceeds the maximum rate of the assigned pay band level, the employee is placed in a pay retention status, not to exceed 2 years from the date of conversion into BP, under provisions found in VI.A.3.

7. Employees on Temporary Promotion

An employee in a temporary promotion status will be returned to the permanent position of record before conversion. When the temporary promotion is cancelled, the employee's pay will be computed based on the employee's permanent position of record, with adjustments for any pay actions otherwise due during the temporary promotion. The employee is converted to BP with a rate of pay that includes any such adjustments.

B. Conversion of Employees in Organizations With Pay Banding or Broadbanding

These procedures apply only to initial mass conversion into BP of organizations where pay banding or broadbanding currently exists.

1. Determination of Career Group (CG)

Employees will be converted into the career group that corresponds with the occupational series of their position, in accordance with III.A. and III.B.

2. Determination of Pay Band Level

a. Direct Conversion. Where an organization's existing GS-equivalent banded level matches exactly a BP pay band level in the appropriate CG, such employees are converted directly from the existing demonstration project or alternative personnel system (APS) into BP, without change in pay.

b. Conversion Using Applicable Conversion-Out Procedures. Where GS grades included in a BP career group and pay band level do not correspond directly to GS grades included in a banded level in an existing demonstration project, employees in such demonstration project positions will be converted to the GS using the applicable conversion out procedures, for purposes of determining GS grade only. Such employees will then be converted into the BP CG and pay band level that correspond with the derived GS grade, without change in pay.

3. Pay Setting

Initial entry into BP will ensure each employee a place in the appropriate career group and pay band level without loss of pay.

a. Concurrent Geographic Move. For any employee who incurs a concurrent geographic move on the date of mass conversion, pay entitlements shall be based on the new geographic area. *b. Concurrent Pay Actions.* Any pay actions effective on the date of conversion will be processed before the conversion. Pay will be set under II.B.2.a. and under II.B.2.b. at the same rate of pay as the employee received under the demonstration project or APS from which the employee was converted. Demonstration project or APS procedures to place an employee "on-step" in a GS grade will not be used.

4. Fair Labor Standards Act (FLSA) Exemption

Employees will be converted using their existing FLSA exemption status.

5. Titling of Positions

Positions with titles other than those authorized by OPM classification standards will be re-titled to the appropriate, authorized title upon conversion into BP.

6. Employees on Pay Retention

Employees on pay retention at the time of mass conversion are converted into BP to the CG and pay band level that correspond to the occupational series and demonstration project pay band level, using procedures in II.B.2.a. or II.B.2.b., as appropriate. If the existing retained rate of pay exceeds the maximum rate of the assigned pay band level under BP, the employee is placed in a pay retention status not to exceed 2 years from the date of conversion, under provisions found in VI.A.3.

7. Temporarily Promoted Employees

Employees in a temporary promotion status will be returned to the permanent position of record before conversion. When the temporary promotion is cancelled, the employee's pay will be computed based on the employee's permanent position of record, with adjustments for any pay actions otherwise due during the temporary promotion. The employee is converted to BP with a rate of pay that includes any such adjustments.

C. One-Time Mass Conversion Exception Rule

The mass conversion procedures defined in this section apply to current DoD employees who will be covered by BP. If application of the mass conversion procedures would otherwise result in loss of pay for any employee, the employee is entitled to retain the existing rate of pay, notwithstanding any other provision in this section.

III. Pay Banding

White-collar occupations in the Department of Defense were analyzed to determine appropriate associations into career groups (CGs). Career groups under BP are established according to similarity in type of work and common qualifications and advancement patterns. Each CG contains discrete pay band levels.

A. Career Groups

Occupations with similar characteristics are grouped together into five CGs under BP. The BP CGs are described in this section.

Career Group 1 (CG 1), Scientific and Engineering Research, includes positions in professional scientific, engineering, or medical occupations that meet the criteria of the OPM Research Grade Evaluation Guide or Part III of the OPM Equipment Development Grade Evaluation Guide (both available at <http://www.opm.gov/fedclass>) (or equivalent successor OPM standards or guides).

Career Group 2 (CG 2), Professional and Administrative Management, includes positions in professional occupations that are excluded from CG 1 and positions in administrative occupations, in addition to certain other positions that exceed established pay band levels in CGs 3 and 4. A comprehensive list of occupations included in CG 2 is at Appendix A.

Career Group 3 (CG 3), Engineering, Scientific, and Medical Support, includes positions in occupations that are associated with support of professional engineering, scientific, and medical occupations. A comprehensive list of occupations included in CG 3 is at Appendix B.

Career Group 4 (CG 4), Business and Administrative Support, includes positions in occupations that are

associated with support of business, financial, and administrative positions, in addition to certain other occupations, such as Firefighters, Security Guards, and Police. A comprehensive list of occupations included in CG 4 is at Appendix C.

Career Group 5 (CG 5), College Cooperative Education Program, includes positions in occupational series in any of the various "XX99" student trainee series (e.g., GS-899, Engineering and Architecture Student Trainee Series).

B. Nonsupervisory Pay Banding Architecture

Pay banding will replace the current GS system of 15 grades (used for classification and pay setting). In each career group, pay band levels are designated. These pay band levels are designed to facilitate pay progression and to allow for more competitive recruitment of quality candidates at differing rates. Career groups have either three or four pay band levels that incorporate some or all of the 15 GS grades, as appropriate. Comparison to the GS grades was used in setting the upper and lower dollar limits of each pay band level, except for the above GS-15 levels in CGs 1 and 2.

The pay range for pay band level 3 of CG 1 and for pay band level 4 of CG 2 is a minimum of 120 percent of the minimum rate of basic pay for GS-15; and a maximum of the rate of basic pay for Senior Executive Service (SES) level 4 (ES-4).

Once employees are converted into BP, GS grades will no longer apply.

1. Architecture Graphic

The five career groups and their associated pay band levels are as follows:

FIGURE 2.—ARCHITECTURE GRAPHIC

Career Group (CG)	Career Group Name	Level 1	Level 2	Level 3	Level 4
CG 1	Science and Engineering Research	GS 5-12*	GS 13-15	Above GS-15	Not applicable
CG 2	Professional and Administrative Management	GS 5-11*	GS 12-13	GS 14-15	Above GS-15
CG 3	Engineering, Scientific, and Medical Support	GS 1-4	GS 5-7	GS 8-11	(GS-12 & above to CG 2)
CG 4	Business and Administrative Support	GS 1-4	GS 5-7	GS 8-10	(GS-11 & above to CG 2)
CG 5	College Cooperative Education Program	GS 1-5	GS 6-8	GS 9-11	GS-12

* There is no level incorporating GS 1-4, as these grades do not represent continuing DoD work.

2. Nonsupervisory Descriptors

Nonsupervisory pay band level descriptors are used under BP instead of grading criteria in OPM classification

standards and guides. Nonsupervisory pay band level descriptors articulate characteristics of positions at the top of the pay band level. Nonsupervisory descriptors are established by the Office

of the Deputy Under Secretary of Defense (Civilian Personnel Policy) (ODUSD(CPP)).

C. Supervisory Architecture

1. Determination of Supervisory Status

a. *Allocation to Pay Band Level and Supervisory Level.* Determining whether a position is allocated to a supervisory pay schedule is predicated on supervisory level (*i.e.*, meeting the narrative criteria in the supervisory descriptors A, B, C, or D (see III.C.2.) and base level of work supervised).

The CG and pay band level of a supervisory position are predicated upon the CG and level of the nonsupervisory workforce in the supervisor's organization. The difficulty and worth of a supervisory position are directly related to the difficulty and worth of the work accomplished by the subordinate workforce. A supervisory position in an administrative occupation may supervise work of a professional nature.

The CG and pay band level of a full deputy are normally the same CG, supervisory level, and supervisory pay table as the supervisory position to which it reports. Pay for the full deputy position may be set at any point within the pay table range management deems appropriate. There is no requirement that the deputy's pay equal the pay of the supervisory position. Where a full deputy reports to a position outside this system (*e.g.*, military officer or member of the SES), the full deputy position will be compared directly to the supervisory descriptors and criteria for base level determination to decide the supervisory pay table.

b. *Substantive Work.* It is necessary to determine the functions that best represent the substantive work of the supervisor's organization, *i.e.*, the work that accomplishes the organization's primary mission. Substantive work can be performed by Federal civilian employees, as well as by contractor personnel and military personnel. In determining the substantive work of the organization, do not include positions that perform services that facilitate the substantive work of the unit, such as clerical support positions in an administrative unit, or budget or information technology positions in an engineering design unit.

c. *Base Level of Work.* Base level is defined as the highest CG and pay band level of nonsupervisory work that meets both of the following criteria: (1) It is performed by two or more subordinate positions; and (2) it constitutes at least 25 percent of the organization's substantive positions.

d. *Determination of Base Level.* i. If all subordinate positions are in a single CG,

base level is determined by application of III.C.1.c.(1) and III.C.1.c.(2).

ii. Where subordinate positions perform substantive work in two or more CGs, first determine which CG and pay band level represent the base level of the substantive work of the supervisor's organization. This would include the primary occupational knowledge requirement for the supervisory position. To determine the appropriate base level, first eliminate all support positions.

(a) If the remaining substantive positions are all in one CG, use III.C.1.c.(1) and III.C.1.c.(2) to determine which pay band level of the CG constitutes the base level of work.

(b) If the remaining substantive positions are in two or more CGs, apply III.C.1.c.(1) and III.C.1.c.(2) to all substantive positions in the supervisor's organization to determine which CG and pay band level constitute the base level of work.

Once the base level is determined, the position's supervisory functions are compared to supervisory descriptors (see III.C.2.) to determine the appropriate level, *i.e.*, A, B, C, or D. Career group and pay band level of the base level, in combination with supervisory level, determines the supervisory pay schedule that applies (see Appendix D). Supervisory descriptors are established by ODUSD(CPP).

e. *Adjustment to Supervisory Pay Table.* When application of base level criteria results in assignment to a supervisory pay table with a lower maximum rate of basic pay than one subordinate employee, the maximum rate of the supervisory pay table may be extended to match or exceed the maximum rate of pay of the highest CG and level supervised by up to ten percent. When a subordinate employee is on pay retention, and the appropriate supervisory pay table does not exceed that subordinate's retained rate of pay, management has the discretion to set the supervisor's pay (including supervisory adjustment) ten percent above the pay of the employee for the duration of the period that the subordinate employee remains on pay retention.

f. *Allocation Based on Nonsupervisory Duties.* Some supervisory positions perform nonsupervisory work in addition to their supervisory functions. When application of base level criteria to a supervisor A or B position results in a supervisory pay schedule with a maximum rate lower than the maximum rate of pay for the CG and pay band level of nonsupervisory work

performed, the supervisor's career group and level will be set by the nonsupervisory functions, while the position will be titled and coded as supervisory (or other authorized title designating supervision).

2. Supervisory Descriptors

Supervisory descriptors define limited supervision (supervisor A), first-level (supervisor B), second-level (supervisor C), and third-level managerial (supervisor D), respectively. To be assigned a supervisory level, a position must meet the narrative criteria in the descriptor and perform such supervisory functions a significant portion of the time. Supervisory descriptors are established by ODUSD(CPP).

IV. Classification System

Personnel Demonstration Project Best Practices uses OPM occupational series and titles for allocation of positions. Allocation of BP positions to the appropriate pay band level and supervisory pay table uses BP criteria instead of OPM grading criteria.

A. Occupational Series

OPM occupational series definitions, series codes, and authorized titles will be used under BP, as well as the OPM designations of white-collar occupational series as professional, administrative, technical, clerical, or other.

B. Classification Standards

The present system of OPM classification standards will be used for determination of occupational series and position titles in BP. References in the OPM position classification standards to grading criteria will not be used. Rather, the nonsupervisory and supervisory descriptors (in combination with base level determinations) will be used for the purpose of determining pay band level and pay table. The nonsupervisory descriptors are derived from the OPM Primary Standard of the Factor Evaluation System. Under this system, each pay band level and supervisory level is represented by a descriptor, against which individual positions are compared in order to establish the appropriate level. Consequently, the need for use of OPM grading criteria is eliminated.

C. Classification Authority

Under BP, classification authority flows from the Secretary of Defense to the Secretaries of the Military Departments, heads of the Defense agencies, and heads of DoD Field Activities with independent appointing

authority. This authority may be redelegated.

D. Position Descriptions

Position descriptions are used to document major duties in writing. A position description is a statement of duties that accurately describes the level of work of a position; has been certified (signed) by the supervisor, and is adequate for determination of occupational series, title, career group, pay band level, and supervisory schedule.

E. Fair Labor Standards Act (FLSA)

Fair Labor Standards Act (FLSA) exemption determinations will be made consistent with criteria in Title 5 of the Code of Federal Regulations (CFR), part 551. All employees are covered by the FLSA unless they meet criteria for exemption. Exemption status of individual positions will be evaluated by comparing duties and responsibilities assigned, the pay band level descriptors, and the 5 CFR part 551 FLSA criteria.

F. Pay Category Reconsideration

An employee may request reconsideration of the pay system, occupational series, title, or pay band level of his/her own position at any time. An employee must raise the areas of concern to the first-line supervisor, a supervisor at supervisor level B or above, or military equivalent. Employees who are not satisfied with the supervisor's response may then request a DoD decision-level reconsideration of the pay category determination. The DoD Civilian Personnel Management Service (CPMS), Field Advisory Services (FAS) Division, is the final level of pay category reconsideration under BP. Decisions by DoD CPMS FAS are final and binding on all administrative, certifying, payroll, disbursing, and accounting officials of the Department of Defense.

Employees may file a request for pay category reconsideration at any time. However, when the issue involves a loss in pay, employees must request reconsideration no later than 15 calendar days after the effective date of the subject personnel action in order to preserve any entitlement to retroactive correction. Employees must submit requests for pay category reconsideration through the supporting human resources office. Supporting human resources offices will forward case files to the Department of Defense for decision within 30 days of receipt of the employee's formal request for pay category reconsideration, unless DoD deciding officials grant a longer period

of time. The Department of Defense will make final pay category determination decisions within 60 calendar days from date of receipt of a complete file. Pay category reconsideration decisions will use OPM criteria to determine pay system, occupational series, and title. Career group and pay band level decisions under the pay category reconsideration process will be based on BP career group definitions, pay band level descriptors, and other BP criteria, as appropriate.

Under a request to DoD CPMS for BP pay category reconsideration, an employee may not request review of the accuracy of his/her position description, the BP allocation or pay-setting criteria, the propriety of a salary schedule, or matters grievable under an administrative or negotiated grievance procedure or an alternative dispute resolution procedure.

V. Hiring and Appointment Authorities

A. Definitions

The current terms of promotion, reassignment, and change to lower grade that are used to describe an employee's movement from one position to another will be replaced with the following to describe more appropriately movement within a pay banded environment.

1. **Job Change—Higher Earning Potential**
Movement to a position with higher earning potential (e.g., CG 2, level 1 to CG 1, level 1; CG 1, level 1 to CG 1, level 2).

2. **Job Change—No Higher Earning Potential**

Movement from one position to another with no higher earning potential (e.g., CG 3, level 2 to CG 4, level 2).

3. **Job Change—Lower Earning Potential**

Movement from one position to another with lower earning potential (e.g., CG 1, level 1 to CG 2, level 1).

A position is defined by career group, pay band level, title, and series. Job change does not include assignment or termination of supervisory or locality pay.

B. Internal Placement

The following rules will be used to determine when competitive procedures are required for job change and when they are not. Job change does not include assignment of supervisory or locality pay.

1. **Competition Upon Job Change**

Competition, or an exception to competitive procedures, is required for a job change—higher earning potential. Competition is not required for a job

change—no higher earning potential. Competition is not required for a job change—lower earning potential.

2. Expanded Forms of Competition

Competitive procedures and plans under 5 CFR 335 will be supplemented by the procedures listed below.

a. **Assessment Boards.** Boards of individuals with appropriate levels of knowledge may convene to assess candidates for current and future advancement and distinguish among them for job changes to positions and duties with higher earning potential. Ranking and selection criteria must distinguish among employees. Employees selected must meet qualification standards. An assessment board may be held in conjunction with the annual performance appraisal process or convened on an ad hoc basis. Candidates will be assessed based on order of merit, and can be assigned to positions with higher earning potential without further competitive procedures.

b. **Alternative Certification Process (ACP).** Two alternative certification processes are described:

i. Management may name request an individual using an ACP. Since management has the right to consider candidates from any appropriate source of agency employees, an employee may be selected, absent formal certification, provided the employee is within the highest quality group for referral for the position. Documentation to support the action includes the source of candidates, name request, and documentation showing the individual meets the required criteria.

ii. A second ACP allows positions to be filled competitively without issuing a formal vacancy announcement. This process may be used when the work unit from which the position will be filled is such that the selecting official has had the opportunity to observe and assess all potential applicants, thus enabling the selecting official to evaluate each candidate equitably. The selecting official must possess enough information about the knowledge, skills, abilities, and experience of each of the candidates being considered to ensure they are assessed fairly. The selecting official must also know that there will be a sufficient number of qualified candidates to consider without formally announcing the vacancy. This determination will be made in conjunction with the human resources office.

3. Exceptions to Competition

Job change (higher earning potential) will be processed under competitive procedures in accordance with merit

principles and requirements of merit promotion plans and procedures of the BP. The following actions are excepted from such competitive procedures:

a. Job change to a position that is in the same pay band/level and career group (or equivalent) in another pay system as the employee previously held on a permanent basis within the competitive service.

b. Job change to a position having higher earning potential no greater than the potential of a position an employee currently holds or previously held on a permanent basis in the competitive service.

c. Job change without current competition when the employee was appointed through competitive procedures to a position with a documented career ladder.

d. Temporary job change for 1 year (and any approved extension as provided for in V.B.5.) to a position with higher earning potential.

e. Job change based on employee's position being officially established at a higher earning level because of additional duties and responsibilities.

f. Job change resulting from the correction of an initial classification or pay category or level error, or the issuance of new classification standards or supervisory and nonsupervisory descriptors.

g. Job change of a candidate not given proper consideration in a competitive action.

h. Individual conversion into system: Job change into a career group/level with higher earning potential within the employee's current series for movements into the system after the mass conversion, e.g., GS-201-12 employee with FAA entering CG-201-2, level 2 position. Absent this provision, there is no equivalent grade to which the employee could be assigned noncompetitively. (This is equal to movement provided employees upon mass conversion).

i. Job change from one career group to another when the series appears in two different career groups, e.g., CG 2, level 1 into CG 1, level 1.

j. Job change of an employee one level above the pay category of the position when the employee adds a significant value to the organization that goes beyond the classifiable duties of the position.

k. Job change as a result of a decision in a negotiated or agency grievance procedure, or by a court or administrative forum with authority to issue such decisions, as the result of the equal employment opportunity (EEO) complaint process, or written settlement

agreement that has the approval of the appropriate local authority.

4. Probation Upon Competitive Job Change

a. *Basic Requirements.* An employee is required to serve a 1-year probationary period upon each competitive job change to a position with higher earning potential. This probationary period will apply to all competitive job changes. For a job change to a position with higher earning potential which is identified as an exception to competitive procedures the selecting official, in coordination with the human resources office, may, at his/her discretion, require an employee to serve a probationary period of up to 1 year.

An employee who has an additional job change to a position with no higher earning potential following the competitive job change will be required to complete the 1 year probationary period, except for those serving on the discretionary probationary period. An employee serving on a discretionary probationary period as a result of a job change to a position with higher earning potential (made as an exception to competitive procedures) will be considered to have completed the probationary period.

This requirement does not apply upon assignment of supervisory duties within the same CG and pay band level.

The duration of the probationary period may be extended only under exceptional circumstances.

The employee is to be given notice of the probationary period requirement before entering the position.

b. *Failure to Complete the Probationary Period.* Satisfactory completion of the probationary period is a prerequisite for continued service in the position. An employee who, for reasons of performance, does not satisfactorily complete the probationary period is entitled to placement in a position no lower than the CG and pay band level (or equivalent from another pay system) the employee left before accepting the position.

c. *Relationship to Other Probationary Period Requirements.* In the event an employee is serving the initial probationary period for career appointment (see V.C.2.a.) concurrently with the probation upon competitive job change, the initial probationary period takes precedence.

For an employee who has a job change while serving a probationary period based on a previous job change, that probationary period is considered to have been met and the employee

starts the new probationary period on the effective date of the assignment.

No employee will be required to serve the probationary period for competitive job change upon initial mass conversion of their organization, or a portion thereof, into BP.

d. *Appeals.* An employee who is returned to a position from which competitively assigned is not entitled to appeal rights.

e. A job change returning an employee to his/her former CG/pay band level may include pay increase, pay decrease, or no change in pay.

5. Temporary Job Change

Temporary job changes may be made to cover time-limited needs. Temporary job changes (higher earning potential) are permitted for up to 1 year and may be extended for up to 1 additional year with the approval of the second level supervisor. Temporary job changes effected under this authority may not be made permanent. A temporary job change may include pay increase, pay decrease, or no change in pay. If the job change is voluntary and results in a decrease in pay, appeal rights do not apply.

C. External Hiring and Appointment Authorities

1. Delegated Examining Unit (DEU) Authority

Examining processes under the DEU authority may be used to fill positions, with the exception of the following: positions in the SES or the Executive Assignment System; Senior Level (SL) and Scientific or Professional (ST) positions; positions at CG 1, level 3 and CG 2, level 4; Administrative Law Judge positions; and positions subject to any examining process covered by court order.

a. *Referral of All Candidates.* At management's option, all qualified candidates may be referred to the selecting official by the human resources support organization.

When there are no veterans' preference eligible applicants and when requested by management, all qualified candidates are referred for consideration. Managers must document the basis for selection.

When there are applicants entitled to 5 or 10 point veterans' preference, other than those with a compensable service-connected disability of 10 percent or more, evaluation, including adding veterans' preference points, will be accomplished by the human resources office before referral to selecting officials. For scientific and professional positions equivalent to GS-9 or higher,

evaluation, including adding veterans' preference points, will be accomplished by the human resources office before referral to selecting officials. For all other positions, where there are disabled veterans who have a compensable service-connected disability of 10 percent or more, they shall be listed at the top of the list in order of their ratings, including preference points. The names of preference eligibles shall be entered ahead of others having the same rating. Where a preference eligible is listed above a nonpreference eligible on any referral list, the preference eligible cannot be passed over for selection without application of passover procedures as authorized by the Department of Defense.

b. Categorical Rating, Ranking, and Referral. When rating and ranking is accomplished, candidates who meet basic (minimum) qualifications shall be assigned to one of three previously defined quality group categories (best qualified, highly qualified, or qualified), depending upon the quality and relevance of their qualifications to the job. Candidates may be further ranked within each quality group. Veterans' preference points will be added to the candidate's overall score. Addition of veterans' preference points does not impact the quality group assignment. For other than scientific and professional positions equivalent to GS-9 or higher, qualified preference-eligibles who have a compensable service-connected disability of 10 percent or more shall be listed at the top of their quality group. For all positions, candidates will be referred by quality group.

Selecting officials should be provided with a reasonable number of qualified candidates from which to choose. All candidates in the highest quality group will be referred for consideration. If management determines there are insufficient numbers of candidates in the highest group, candidates in the next lower group(s) may also be referred. When more than one group is referred, candidates shall be identified in group order from the best-qualified to the qualified group.

Where a preference eligible is listed above a nonpreference eligible on any referral list, the preference eligible cannot be passed over for selection without application of passover procedures as authorized by the Department of Defense.

2. Appointing Authorities

a. Career Appointment and Initial Probationary Period. Personnel Demonstration Project Best Practices

will use the career appointment authority for employees upon initial appointment other than to temporary, term, or indefinite positions in the competitive service. An employee on his/her initial career appointment under this authority is appointed as a career employee subject to an initial probationary period of up to 3 years to allow supervisors an adequate amount of time to fully evaluate an employee's performance and conduct.

The Department of Defense shall utilize the probationary period as fully as possible to determine the fitness of the employee. An employee who fails to demonstrate fitness or whose work performance is unsatisfactory shall be separated. The employee will be notified in writing why a separation action is being taken and the effective date of the action. The information in the notification shall, at a minimum, consist of conclusions as to the inadequacies of performance or conduct.

i. Permanent Status: A newly appointed employee must serve for up to 3 years of substantially continuous creditable service as a probationary employee. A single break in creditable service of more than 30 calendar days will require the beginning of a new probationary period of up to 3 years upon reappointment. Permanent status is acquired only under a permanent appointment in the competitive service after completing the probationary period.

ii. Creditable Service: Prior Federal civilian service (including nonappropriated fund, temporary, or modified term service) will count toward the completion of the probationary period as long as there has been no break in service.

The following provisions apply to the completion of an initial probationary period under special circumstances:

Excepted service employment leading to career status in the competitive service will count toward the completion of the initial probationary period as long as there has been no break in service of more than 30 calendar days.

Intermittent employment, *i.e.*, employment without a regularly scheduled tour of duty, will count toward completion of the initial probationary period of up to 3 years, calculating each day or part of a day in pay status as 1 day of credit toward the requirement of up to 780 days in a pay status.

Employees serving on career, conditional appointments in other agencies will not be converted to permanent status until they have met

the requirement for up to 3 years of substantially continuous service. The length of time served on career conditional appointment will count toward the probationary requirement.

iii. Completion of Probationary Period: The probationary period ends when the employee completes the scheduled tour of duty on the day before the applicable anniversary date of the employee's appointment. For example, when the last workday is a Friday and the anniversary date is the following Monday, the probationer must be separated before the end of the tour of duty on Friday.

Employees who have served continuously the length of time required for probation on a competitively filled modified term appointment will be considered to have met the probationary period upon conversion to permanent status.

iv. Extensions: The probationary period required for new appointments is up to 3 years and may be extended only under rare circumstances as provided for in DoD guidance.

v. Tenure: Probationary career employees are in tenure group I for reduction in force purposes.

vi. Appeals: A probationary employee may appeal to the Merit Systems Protection Board (MSPB) an agency decision to terminate the employee as outlined in 5 CFR 315.806.

b. Modified Term Appointment. The modified term appointment is designed to be used to augment the existing workforce; for special projects, staffing new or existing programs of limited duration; filling a position in activities undergoing review for reduction or closure; and replacing permanent employees who have been temporarily assigned to other positions, are on extended leave, or have entered military service. Modified term appointments differ from term appointments as described in 5 CFR part 316 in that initially they are for a period of over one year but not to exceed 5 years, rather than the traditional 4 years. The appointing official is authorized to extend the modified term for 1 additional year to a maximum length of 6 years.

Absent any DoD specific eligibility or qualifications criteria, appointees must meet OPM qualifications and eligibility requirements for the pay band level and occupation to which appointed.

i. Noncompetitive modified term appointments. For time-limited needs, term appointments may be made noncompetitively for up to 5 years, with extensions authorized for up to 1 additional year. Further extensions will not be permitted using the

noncompetitive authority. Notice of positions to be filled under the noncompetitive term appointment authority shall be made to ensure the merit principle of fair and open competition. Employees appointed under this authority may not be converted to career appointments. Time served may be used to satisfy the probationary period service requirement consistent with probationary period guidance. Any candidate who is eligible for veterans' preference under Title 5 of the United States Code (U.S.C.), Section 2108 shall be considered ahead of candidates who are not eligible for preference.

ii. *Competitive modified term appointments.* Rating, ranking, and referral for competitive modified term appointments will be conducted in accordance with provisions contained in V.C.1. Employees hired under this modified term appointment authority may be eligible for conversion to career appointments without further external competition.

To be eligible for conversion to a career appointment, the employee must:

(a) Have been selected for the term position under competitive procedures, with the announcement specifically stating that the individual(s) selected for the term position(s) may be eligible for conversion to career appointment at a later date;

(b) Have served 1 year of continuous service in the term position; and

(c) Have a current assessment documenting adequate performance.

Conversion to a career appointment may be made:

(a) To a permanent position in the same occupational series, CG, and pay band level; or

(b) *Through internal merit procedures.* New modified term employees shall serve the initial probationary period of up to 3 years currently in use for career appointments under this personnel system. Service under the modified term appointment immediately preceding a permanent appointment without a break in service shall count toward the probationary period requirements of the permanent position provided performance is adequate.

c. *Noncompetitive Temporary Appointment.* For time-limited needs, temporary appointments may be made noncompetitively for up to 1 year, with extensions authorized for up to 1 additional year. Further extensions will not be permitted using the noncompetitive authority. Advance notice of positions to be filled under the noncompetitive temporary appointment authority shall be made to ensure the

merit principle of fair and open competition.

Absent any DoD specific eligibility or qualifications criteria, appointees must meet OPM qualifications and eligibility requirements for the pay band level and occupation to which appointed.

Any candidate who is eligible for veterans' preference under 5 U.S.C. 2108 shall be considered ahead of candidates who are not eligible for preference.

Appointments made under this authority do not confer competitive status. Time served may be used to satisfy the probationary period service requirement consistent with probationary period guidance above.

d. *Scholastic Achievement*

Appointment. The scholastic achievement appointment provides an alternative examining process to appoint candidates with bachelor or advanced degrees. Advance notice of scholastic achievement appointment and positions to be filled shall be made to ensure the merit principle of fair and open competition. A candidate may be appointed under this procedure if:

i. The candidate meets the minimum standards for the positions as (a) published in OPM's Operating Manual, "Qualification Standards for General Schedule Positions," (available at www.opm.gov/qualifications) or (b) established in DoD alternative qualifications or criteria for specific occupations and/or tailored to the pay banding architecture;

ii. The candidate meets any selective placement factors stated in the vacancy announcement; and

iii. The candidate has an overall grade point average of 3.0 or better on a 4.0 scale (or equivalent on a different scale) grade point average overall, or has either a 3.5 or better cumulative grade point average on a 4.0 scale (or the equivalent on a different scale) in the field of study qualifying for the occupation, or is ranked in the upper 10 percent of the major college or subdivision attended.

Scholastic achievement appointments may also be made on the basis of graduate education, provided the criteria in V.C.2.d.i. through V.C.2.d.iii. are met.

Any candidate who is eligible for veterans' preference under 5 U.S.C. 2108 shall be considered ahead of candidates who are not eligible for preference.

e. *On-the-spot hiring.* Candidates may be directly appointed using the on-the-spot appointing authority to positions for which it has been determined that one or more of the following conditions apply:

i. There is a severe shortage of candidates;

ii. The position is unique and/or has special qualifications;

iii. The position has a historically high turnover rate;

iv. The occupation is covered by a special salary rate;

v. An exceptional need exists.

Requirements for determining exceptional need will be detailed in DoD guidance.

In all cases, the servicing personnel office, in consultation with the activity/organization manager, will determine if a position or group of positions meets the established criteria and will authorize the use of on-the-spot hiring. All determinations must be documented.

Advance notice of on-the-spot appointing authority and positions for which it may be used shall be made to ensure the merit principle of fair and open competition.

Absent any DoD specific eligibility or qualifications criteria, appointees must meet OPM qualifications and eligibility requirements for the pay band level and occupation to which appointed.

Any candidate who is eligible for veterans' preference under 5 U.S.C. 2108 shall be considered ahead of candidates who are not eligible for preference.

f. *Use of Other Appointing*

Authorities. Nothing in BP shall prohibit use of existing competitive service appointing authorities cited in various provisions of 5 CFR (e.g., a preference eligible under Veterans' Employment Opportunity Act (5 CFR 315.611), a family member who served 52 weeks overseas (5 CFR 315.608)) except to the extent that career-conditional appointments shall not be used. Conditions for granting such appointments must be fully met.

Nothing in BP shall prohibit use of existing excepted service appointing authorities cited in 5 CFR 213 (e.g., Veterans' Readjustment Appointment, Student Educational Employment Program). Conditions for granting such appointments must be fully met.

g. *Noncitizen Hires.* The Department of Defense will have the authority to approve the hiring of noncitizens when qualified United States citizens are not available. As with current 5 CFR requirements, a noncitizen may be appointed only if it has been determined there are no qualified United States citizens. If a noncitizen is the only qualified candidate for the position, the candidate may be appointed. The selection is subject to approval by the appointing official. All security requirements otherwise

applicable to the position continue to apply.

D. DoD Alternative Qualifications or Criteria

DoD has authority to develop qualification standards consistent with the pay banding architecture of the BP or to meet unique position requirements.

VI. Pay Administration

As the rates of the General Schedule are increased due to GS pay increases, the minimum and maximum rates of nonsupervisory pay band levels and supervisory pay tables will also increase. No adjustments in employees' pay are automatic, other than locality adjustments.

A. Special Pay Rules

1. Supervisory Pay Tables

Once the base level of work and supervisor level (A, B, C, or D) are determined, the table at Appendix D is used to determine the salary range (basic pay and supervisory adjustment) for the supervisory position. For supervisory positions in occupational series covered by a special salary rate supplement, as defined in VI.A.2., the maximum rate of the applicable supervisory pay table may be extended to equal the maximum special salary rate for the corresponding grade. A supervisor's pay may be set at any point within the supervisory pay table range that management determines appropriate. The supervisory rate ranges include a supervisory adjustment that corresponds to the supervisory level (i.e., 10, 20, 30, or 45 percent supervisory adjustment for supervisor A, B, C, or D, respectively). The supervisor's total pay will not exceed the maximum rate of the applicable supervisory pay table, adjusted for locality, except under circumstances that meet III.C.1.e., Adjustment to Supervisory Pay Tables. Supervisory adjustments are considered basic pay for purposes of retirement, life insurance, premium pay and for such other purposes as may be expressly provided for by law.

If the employee moves to another position, the supervisory adjustment shall be increased, reduced, or terminated as required under conditions set forth by the agency. The supervisory adjustment shall terminate when the employee moves to a position that does not qualify for a supervisory adjustment and the adjustment shall be recomputed when the employee moves to a supervisory position at a different supervisory level. The reduction or

elimination of a supervisory adjustment upon movement to a new position is not appealable.

If levels of supervision are established that the supervisory pay tables at Appendix D do not anticipate, e.g., a supervisor B position over CG 1, level 1 base level, or a supervisor C position over CG 3, level 1 base level, the supervisory pay adjustment may be set up to 20 percent above the maximum rate of pay established for the base level supervised.

2. Special Salary Rate Supplements

When a maximum SSR rate of a GS grade exceeds the maximum rate of the corresponding pay band level under BP, the maximum rate of that pay band level is extended to equal the maximum SSR rate for that grade. Such extension will apply only to occupational series and geographic areas covered by the corresponding GS SSR. Affected employees will be eligible for pay increases up to the maximum of the applicable pay band level table extension. Total pay for these employees will include an SSR supplement.

a. Formula Upon Conversion. When an employee is eligible for an SSR supplement upon conversion into BP, the BP total pay will include an SSR supplement that is determined by applying an SSR factor to the employee's total GS pay.

b. Formula After Conversion. After conversion, when an employee enters a position that is covered by an SSR pay band level extension, the employee will receive the salary set by the supervisor as the BP total pay. The BP total pay will incorporate an SSR supplement.

c. Applicability. Special salary rate supplements do not apply when the maximum SSR of a corresponding GS grade is equal to or less than the maximum rate of a corresponding pay band level. Total pay, in this case, will consist of basic pay plus locality pay.

3. Pay Retention

A nonsupervisory employee, under appointment other than temporary or modified term, is entitled to pay retention when placed involuntarily into a new position for reasons other than those listed under VI.B.3.b. and the employee's current pay is above the maximum rate applicable to the new position. The pay retention entitlement is not to exceed 2 years, or until the rate range of the new position encompasses the employee's retained rate of pay, whichever occurs first. During pay retention, an employee is not eligible for any permanent pay increases, other than locality adjustments.

Employees paid from a supervisory pay table are not eligible for pay retention. (See VI.A.1.)

B. Pay Setting

1. Upon Accession (After Mass Conversion of the Organization)

Management may establish pay at any rate up to the maximum of the pay band level, any applicable SSR extension, or any applicable rate from a supervisory pay table. The hiring official will determine starting pay based on available labor market considerations; special qualifications requirements; scarcity of qualified applicants; program needs; education or experience of the candidate; and other criteria, as appropriate.

2. Upon Job Change—No Higher Earning Potential

An employee who moves to a position with the same maximum rate of pay (irrespective of a SSR extension) will have pay set at the existing rate of pay, or with a pay increase up to 5 percent of the existing rate, not to exceed the maximum of the pay band level or the applicable SSR extension.

3. Upon Job Change—Lower Earning Potential

a. Voluntary. An employee may request a voluntary change to a position with a lower maximum rate of pay. The employee's pay may be set at any point within the level but not more than 5 percent above the employee's current base pay. The new salary shall not exceed the maximum rate of the applicable pay table for the position to which assigned.

b. Involuntary—Adverse Action. When an employee is changed, due to an adverse personnel action based on either misconduct or poor performance, to a position with a lower maximum rate of pay, pay retention will not apply. The employee's pay must be reduced by up to five percent. However, in no case will pay be set above the maximum rate of the new range.

c. Involuntary—Inadequate Pay Progression. As a consequence of the administration of the performance payout process, an employee's basic pay may fall below the minimum rate of basic pay for the pay band level to which he/she is assigned. In such cases, supervisors shall initiate an involuntary change to lower level promptly after the pay pool manager approves the annual payout; the employee's position description shall be redescribed accordingly. The employee's rate of basic pay shall remain unchanged. Change to a lower pay band level due

to inadequate pay progression is not considered an adverse action.

d. Involuntary-Management Action. If a job change is the result of a management directed action, e.g., reduction in force or pay category reconsideration, a nonsupervisory employee is entitled to his/her current rate of pay if it is at or below the maximum of the applicable pay table for the new position. If the employee's rate of basic pay exceeds the maximum applicable rate for the new position, the employee is entitled to pay retention not to exceed 2 years. (See VI.B.5.a. and VI.B.5.c. for job change—lower earning potential involving supervisors.)

4. Upon Job Change—Higher Earning Potential

When an employee moves to a position with a higher maximum rate of pay, the pay upon job change may include a pay increase, a pay decrease, or no change in pay. The pay will be at least the minimum of the pay band level, and may not exceed the maximum of the applicable pay table. If the job change is voluntary and results in a decrease in pay, it is not considered an adverse action; therefore, appeal rights do not apply.

5. Upon Assignment to and from a Supervisory Position Outside the Existing Pay Band Level

a. Supervisory to Nonsupervisory Position. When an employee paid from a supervisory pay table moves to a nonsupervisory position, the supervisory adjustment will not be retained. Pay will be set at the employee's existing rate of basic pay or at the employee's rate of basic pay in a nonsupervisory position immediately preceding the prior movement to the supervisory position, whichever is higher. If the employee's rate of basic pay exceeds the new rate range, pay will be set at the maximum of the pay band level.

b. Nonsupervisory to Supervisory Position. When an employee paid from a nonsupervisory pay table moves to a supervisory position, pay will be set at the employee's existing rate of basic pay, or a rate determined by management not to exceed the maximum of the applicable supervisory pay table. If the employee's existing rate of pay exceeds the maximum of the applicable supervisory pay table, and the employee is placed involuntarily for reasons other than VI.B.3.b., the employee's pay will be set not to exceed 20 percent above the maximum rate payable for the subordinate base level for a period not to exceed 2 years, as a supervisory adjustment.

c. Supervisory to Supervisory Position. When an employee paid from a supervisory pay table moves to another position paid from a supervisory pay table, pay will be within the applicable new rate range to include a supervisory adjustment that corresponds to the supervisory level (i.e., 10, 20, 30, or 45 percent for supervisor A, B, C, or D, respectively).

VII. Pay-for-Performance (PFP) Evaluation System

A. Overview

The purpose of the PFP evaluation system is to provide an equitable method for appraising and compensating covered employees. It is essential for the development of a highly productive workforce and to provide management, at the lowest practical level, the authority, control, and flexibility needed to accomplish the mission and meet organizational goals, including the requirements of the organization's strategic plan. PFP allows for more employee involvement in the evaluation process, increases communication between supervisor and employee, promotes a clear accountability of contribution by each employee, facilitates employee progression by linking individual employee performance to mission accomplishment, and provides an understandable basis for salary and structural changes.

B. Performance Objectives

Performance objectives are an individual's job assignments or position responsibilities that contribute to accomplishing the mission and goals of the organization during the rating cycle. Performance objectives deal with outputs and outcomes of a particular job. At the beginning of the rating cycle, employees and supervisors will jointly develop performance objectives that reflect the types of duties and responsibilities expected at the respective pay band level. These objectives are to be based on the work unit's mission and goals and must be consistent with the employee's position description. Performance objectives will be tailored to each individual employee's job assignments or position responsibilities. The supervisor makes the final decision concerning the development of performance objectives.

The performance objectives, representing joint efforts of employees and their rating chains, should be in place within 30 days from the beginning of each rating cycle. Performance objectives may be modified and/or changed as appropriate during the rating

cycle. It is appropriate to change objectives when mission or workload changes occur. How well performance objectives are accomplished will be measured by a series of performance factors, which may be weighted.

C. Performance Factors

Performance factors are used to evaluate accomplishment of performance objectives. The use of factors for scoring purposes helps to ensure comparable scores are assigned while accommodating diverse individual objectives that contribute to accomplishment of the mission and goals of the organization. The DoD Component has the discretion to weight performance factors based on the importance in accomplishing an individual's performance objectives. This discretion may be delegated.

When weighting performance factors, each performance factor used is assigned a weight within a specified range. Where performance factors are not weighted, it is understood that all factors used are of equal point value. The total value of all performance factors used, weighted or unweighted, is 100 points.

The seven performance factors used to evaluate accomplishment of performance objectives are as follows: Technical Competence/Problem Solving; Cooperation/Teamwork; Communication; Customer Care; Resource Management; Leadership/Supervision; and Contribution to Mission Accomplishment. Additional factors may not be created without Office of the Secretary of Defense approval. However, management may exclude any performance factor that does not apply to a specific position. These seven performance factors are generally described:

1. Technical Competence/Problem Solving

Demonstrates the knowledge and skills required to execute the position's assigned duties and responsibilities; ability to apply the knowledge and skills to solve problems. Exhibits and maintains current technical knowledge, skills, and abilities to produce timely and quality work with the appropriate level of supervision. Makes prompt, technically sound decisions and recommendations that add value to mission priorities and needs. Flexibility, adaptability, and decision-making are exercised appropriately.

2. Cooperation/Teamwork

Demonstrates traits of flexibility, adaptability, and decisiveness and the ability to exhibit and foster cooperation

in team efforts and organizational settings. Personal and organizational interactions exhibit and foster cooperation and teamwork. Accepts personal responsibility for assigned tasks. Is considerate of others' views and open to compromise on areas of difference. Exercises tact and diplomacy and maintains effective relationships, particularly in immediate work environment and/or teaming situations. Readily/willingly gives assistance. Shows appropriate respect and courtesy.

3. Communication

Demonstrates effective listening, writing, and oral communication skills. Provides or exchanges oral/written ideas and information that are timely, accurate, and easily understood. Listens effectively so that resultant actions show understanding of what was said. Coordinates so that all relevant individuals and functions are included in, and informed of, decisions and actions.

4. Customer Care

Demonstrates effective interactions with internal and external customers. Demonstrates care for customers through respectful, courteous, reliable, and conscientious actions. Seeks out, develops, and/or maintains solid working relationships with customers to identify their needs, quantifies those needs, and develops practical solutions. Keeps customer informed. Within the scope of job responsibility, seeks out and develops new programs and/or reimbursable customer work.

5. Resource Management

Demonstrates effective use/management of personal and organizational resources such as time, personnel, equipment, and/or funds. Meets schedules and deadlines, and accomplishes work in order of priority (set by the employee's supervisor or team leader); generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals.

6. Leadership/Supervision

This factor (VII.C.6.a. and VII.C.6.b.) is mandatory for supervisory/designated team leader positions. This factor is optional for all other employees using description VII.C.6.a. only.

a. Demonstrates effective individual and organizational leadership to assess situations realistically; identifies and recommends or implements needed changes. Actively furthers the mission of the organization. Exercises leadership

skills within the environment to include sensitivity to diversity and to ensure equity and fairness, as appropriate. (Description VII.C.6.a. may be applied to all employees, e.g., employee leads work group on special projects ensuring organizational mission and program success; employee effectively represents the interests of the organization on inter-agency groups, etc.)

b. Works toward recruiting, developing, motivating, and training quality employees; initiates timely/appropriate personnel actions; applies EEO/merit principles; communicates mission and organizational goals; by example, creates a positive, safe, and challenging work environment; distributes work and empowers employees. (Description VII.C.6.b. may only be applied to supervisory/designated team leader positions.)

7. Contribution to Mission Accomplishment

Executes the position's assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives. Within the scope of job responsibility, develops approaches or solutions to tasks and problems impacting mission in a positive manner.

D. Benchmark Performance Standards

Benchmark performance standards are descriptors that are used to measure, evaluate, and score each performance factor with regard to the accomplishment of performance objectives. Benchmark performance standards for each performance factor are established by ODUSD(CPP). The descriptors for these benchmark performance standards indicate the level of performance appropriate for the high end of each score range for the performance factor. These performance standards will assist the supervisor in determining the percentage of the performance factor that the employee actually attained. The DoD Component has the discretion to supplement standards to describe levels of performance throughout the score range. This discretion may be redelegated.

E. Performance Rating Process

1. Duration of the Rating Cycle

The duration of the rating cycle will be 12 months. The rating cycle shall be October 1 through September 30 each year.

2. Minimum Rating Period

In order to provide for meaningful evaluation of an employee's performance, the minimum rating period will be 90 days.

3. Communication at the Beginning of the Rating Cycle

Within 30 days from the beginning of each rating cycle, the performance factors and benchmark performance standards should be provided to employees, so that they know the basis on which their performance and contributions will be assessed. At this time, employees and supervisors will jointly develop performance objectives as noted in VII.B. Supervisors are encouraged to cite specific examples to each employee of how to achieve the benchmark performance standards at each level of performance. The supervisor will define or clarify key terms for the employee.

4. Feedback During the Rating Cycle

The supervisor may provide on-going feedback as necessary to employees on how well they are accomplishing performance objectives. Additionally, employees may request periodic feedback on how well they are performing. If the supervisor judges that the employee is not performing at an acceptable level on one or more performance factors, the supervisor must inform the employee and document the problem. This feedback will be provided at any time during the rating cycle. Deficiencies identified will be accompanied by a plan, if necessary, to correct them as noted in section VIII.

5. End-of-Cycle Evaluation

a. *Performance Feedback.* At the end of the rating period, the supervisor may request that the employee provide narrative comments describing accomplishment of his/her performance objectives throughout the year. These narrative comments will permit the supervisor to evaluate more fully the performance of the employee during the rating period.

The supervisor must communicate to the employee the supervisor's appraisal of the employee's performance on performance objectives, and the employee's performance score and rating on performance factors. Communication may occur through use of, but is not limited to, a performance review meeting to discuss job performance and accomplishments.

b. *Performance Scores.* Following a review of the employee's accomplishments, the supervisor will score each relevant performance factor by assigning a value to each performance factor. Using the benchmark performance standards as a guideline, the supervisor will determine the level of performance actually performed or accomplished by the

employee and assign the appropriate point value to arrive at a total performance score. This performance score may total as high as 100 points. In addition to determining the employee's performance score, a supervisor may provide a narrative evaluation of an employee's potential to perform in positions of greater responsibility or for other appropriate matters. Such narrative evaluations of potential may only be provided in accordance with DoD Component policy.

c. Score Ranges and Shares for Payout. The overall score is the sum of the individual performance factor scores. The scores will be used to determine basic pay increases and/or performance incentives.

FIGURE 3.—SCORE RANGES AND SHARES FOR PAYOUT

Score range	Performance payout (shares)
98-100	13, 14, 15, or 16
95-97	11 or 12
91-94	9 or 10
86-90	7 or 8
81-85	5 or 6
66-80	3 or 4
51-65	1 or 2
0-50	0

An employee will receive a performance payout as a percentage of current basic pay. This percentage is based on the number of shares that equate to his/her final rating score. After a rating has been assigned, the rater will recommend the number of shares that should be granted. The rater has discretion in determining the recommended number of shares within the framework listed above. The rater will take into consideration several factors, e.g., the score, the employee's current basic pay, and overall funding availability. The shares earned by an employee will be used in calculating the employee's performance payout as outlined in the payout formula in VII.F.1.

d. Use of Performance Review Board. A performance review board or an equivalent process for oversight will be established for reviewing supervisors' preliminary scores and recommendations for the number of shares to be granted. The DoD Components may determine the composition of the review board. This review process gives raters the opportunity to verify that their evaluations and approach to scoring conform to that of other raters within the pay pool and ensures that performance assessments of employees are comparable and equitable within the pay pool. An order of merit listing will

be developed by each rater and provided to the performance review board. Each listing will include all employees supervised by the rater, their corresponding scores, and recommended shares. This listing will be ordered from highest scores received to lowest scores received to facilitate the review process. If there are employees with identical scores, the rater will differentiate between these employees and prioritize them in the appropriate order on the listing. Consistent with BP requirements in this notice, this order of merit listing may be considered in determining such matters as reduction in force, promotions, training assignments, basic pay determinations or other matters deemed appropriate by the DoD Component. Listings may be developed for each career group to facilitate making distinctions between occupations if necessary. Operating procedures for the performance review board will be developed by each DoD Component.

F. Payout Process

Each Component shall determine the pay pool structure. Authority to determine pay pool structure may be redelegated. Generally, pay pools are combinations of organizational elements (e.g. Divisions, Branches, etc.) that are defined for purposes of determining performance payouts under the PFP system. Typically, pay pools may range from as small as 25 to as large as 500 employees. Decisions regarding the amount of the performance payout are based on the established performance payout calculations. Each DoD Component shall establish a pay pool manager for each pay pool. The pay pool manager is responsible for ensuring that distribution of funds is based upon employees' performance and contributions. A pay pool manager's final yearly pay adjustment decisions may still be subject to higher management review. Generally, supervisors will be placed in a pay pool separate from their employees.

1. Basic Pay Increases and Performance Incentives

The amount of money available for performance payouts is divided into two elements, basic pay increases and performance incentives. The payouts made to employees from the performance pay pool will be basic pay increases and/or performance incentive payments, subject to the amounts available in the respective funds.

The amount of money available within a pay pool for basic pay increases is determined by the general pay increase (GPI) and the money that

would have been available for quality step increases, within-grade increases, and promotions between grades that are banded. This amount will be established at a certain percentage of the total of basic pay salaries in the pay pool (typically 2 to 2.4 percent plus the GPI), as determined by the pay pool manager. Performance incentive payments are funded separately, but the amount of money available for performance incentive payments must be equivalent to a minimum of 1 percent of total salary dollars (typically 1.3 to 1.8 percent). The sum of these two factors is referred to as the pay pool payout factor (e.g., 4.0 percent performance basic pay, including the GPI, +1.3 percent performance incentive).

Performance pay increases (i.e., basic pay increases) will not be granted to employees at the top of their pay band or in a pay retention status. In these cases, payouts earned as a function of performance may be paid as a performance incentive to the maximum authorized. A local activity may reallocate to employees not at the top of their pay band (uncapped employees) some or all of any unexpended basic pay funds for employees at the top of their pay band (capped employees). This reallocation is placed back into the pay pool and distributed to the uncapped employees based on shares earned. Any increase in an uncapped employee's basic pay as a result of this reallocation will be offset by an equivalent reduction in the employee's performance incentive payment. Thus, the uncapped employee's total performance payout is unchanged.

Consistent with the requirements of DoD Component policy, the pay pool payout factor may be adjusted as necessary. Performance payouts will be calculated and administered so that a pay pool manager will not exceed the resources that are available in the pay pool.

In making the annual performance payouts, the amount of that year's pay pool and share value will be determined as follows:

a. The pay pool payout factor must be determined first. The pay pool payout factor is the percentage amount budgeted for basic pay increases and performance incentives. For purposes of illustration, assume that the organization has budgeted 4.2 percent for basic pay increases and 1.2 percent for performance incentive payments. Therefore, the pay pool payout factor is 5.4 percent.

b. Next, the pay pool value is determined by multiplying the pay pool payout factor determined in VII.F.1.a. by the sum of the combined basic pay

salaries of all employees in the pay pool as follows:

Pool Value = Pay pool payout factor ×

Total Salaries of all employees

Continuing the illustration from VII.F.1.a., assume there are 40 employees in the pay pool with total combined basic pay salaries of \$2,377,888. The total combined salaries is multiplied by the pay pool payout factor of 5.4 percent to provide an available total pay pool of \$128,406 for basic pay increases and performance incentive payments. Based on the percentages budgeted by the organization in VII.F.1.a., \$98,871 would be for basic pay increases with the remaining \$28,535 for performance incentive payments.

c. Next, the share value is calculated. Each individual employee's basic pay salary is multiplied by the number of shares awarded to that employee (Salary × Shares). The sum total of (Salary × Shares) for all employees in the pay pool is divided into the pool value to arrive at the share value as follows: Share Value = Pool Value / (Sum Total (Salary × Shares))

The share value represents a fixed percentage basic pay increase for each employee. The value of a share cannot be exactly determined until the rating and review board process is complete. Continuing the illustration from VII.F.1.b., the pay pool amount of \$128,406 is divided by 2,377,888 (which represents the sum total of each individual employee's basic pay multiplied by the number of shares awarded to that employee). This results in a share value of 0.00847059 or 0.85%.

d. An employee's total performance payout is the share value multiplied by the employee's end-of-rating cycle basic pay salary multiplied by the number of shares earned by the employee.

Employee Performance Payout = Salary × Shares × Share Value

This is illustrated by highlighting the performance payout of one of the employees in the example pay pool. The employee's end-of-rating cycle basic pay salary is \$75,112. The employee earned 15 shares. The salary is multiplied by the number of shares (15) multiplied by the share value (0.00847059). This results in a total performance payout of \$9,544 with \$7,423 as a basic pay increase and \$2,121 as a performance incentive payout based on the percentages budgeted by the organization in VII.F.1.a.

2. College Cooperative Education Program

Career group 5 employees shall not be assigned to any pay pool and shall not

participate in PFP payouts. Salary adjustments, including the GPI, will be funded outside of the pay pools. CG 5 employees will be placed in the PFP system for payout purposes when they successfully complete the college cooperative education program and are converted to a career appointment.

3. Awards

Awards may be used to acknowledge an employee's extraordinary contributions or exceptional accomplishments. Consistent with current DoD Component/activity awards authorities and delegations, awards may be granted to employees, either as individuals or as members of a team, consistent with DoD Component awards regulations. Awards are not part of the PFP system. The granting of such awards shall be based on a suggestion, invention, superior accomplishment, productivity gain, or other personal effort that contributes to the efficiency, economy, or other improvement to Government operations or achieves a significant reduction in paperwork. The award itself may be monetary, non-monetary, informal recognition, honorary, time-off, or a combination thereof.

The awards budget is separate from money used for base pay increases and performance incentives. The amount of money available for awards must be equivalent to a minimum of one-half percent of total salary dollars.

G. Grievance Procedures

An employee may grieve the performance score. If an employee is covered by a negotiated grievance procedure that permits grievances over performance scores, then the employee must resolve a grievance over the performance score under that procedure (i.e., that procedure is the sole and exclusive procedure for resolving such grievances for bargaining unit employees). If an employee is not in a bargaining unit, or is in a bargaining unit but grievances over performance scores are not covered under the negotiated grievance procedure, then the employee may use the appropriate administrative grievance procedure. Base pay increases and performance incentive payments will not be delayed as a result of an employee filing a grievance concerning the performance score. Any decisions on the grievance shall not affect other employees' performance payouts.

VIII. Performance That Fails To Meet Expectations

A. Notice to Employee and Performance Improvement Plan

Informal employee performance reviews will be provided on an on-going basis, so that corrective action, to include placing an employee on a performance improvement plan (PIP), may be taken at any time during the rating cycle. Whenever a supervisor determines that an employee's overall performance score falls below 51 points, the supervisor will immediately inform the employee. The reasons for the unacceptable performance will be identified and communicated to the employee as follows.

The supervisor will provide written notification outlining the unacceptable performance to the employee. At this point, an opportunity to improve will be structured in a PIP. The employee will be required to identify to the supervisor what actions the employee will take to improve the items identified by the supervisor as needing correction or improvement. The employee will also recommend a time frame for making such corrections or improvements. The supervisor makes the final determination on the actions necessary to correct or improve the employee's performance and the required time frame. If the employee's unacceptable performance impacts the employee's performance payout, the PIP shall be a minimum of 90 days. In all other instances, PIPs should generally be no less than 30 days. The employee will be provided with any available assistance, as appropriate. The supervisor will monitor the employee's progress during the PIP, counsel the employee, and document all counseling sessions. If the employee fails to achieve a level of performance that is at least equal to that of an overall performance score of 51 points or higher following completion of the PIP, the supervisor will take appropriate action as outlined in VIII.B.

B. Action Upon Completion of Performance Improvement Period

If the employee's performance is acceptable at the conclusion of the PIP, no further action is necessary. If a PIP ends before the end of the annual rating cycle and the employee's performance improves to an acceptable level, the employee is appraised at the end of the annual rating cycle.

If the employee fails to improve during the PIP, the employee will be given written notice of the proposed personnel action. This action may include reduction in pay, reduction in pay band level, change in position or

occupational family at a lower rate of pay, or removal from the Federal Service. The advance written notice period will be a minimum of 15 calendar days, and the employee will have 7 calendar days in which to reply. The employee will be given a written notice of decision to include all applicable grievance and appeal rights, as appropriate.

Employees who fail to improve performance to a level that is at least equal to that of an overall performance score of 51 points or higher may not remain at their current salary and may be reduced in pay, pay band level or removed from Federal service. Reductions in salary within the same pay band or changes to a lower pay band will be up to 5 percent of base pay.

All relevant documentation concerning a reduction in pay or removal based on unacceptable performance will be preserved and made available for review by the affected employee or a designated representative. As a minimum, the record will consist of a copy of the notice of proposed personnel action and the employee's written reply, if any, or a summary when the employee makes an oral reply. Additionally, the record will contain the written notice of decision and the reasons therefore, along with any supporting material (including documentation regarding the opportunity afforded the employee to demonstrate improved performance and any input the employee provided on what actions the employee would take to correct or improve their performance).

With regard to an employee who successfully completes a performance improvement period, management may reduce in pay, reduce in pay band level, change in position or occupational family at a lower rate of pay, or remove the employee with no additional improvement opportunity within 2 years following successful completion of the PIP if the employee's performance deteriorates to an overall performance score less than 51 points or the employee fails to perform at an acceptable level in a performance factor. The employee will be given written notice of the proposed personnel action. The advance written notice period will be a minimum of 15 calendar days, and the employee will have 7 calendar days in which to reply. The employee will be given a written notice of decision to include all applicable grievance and appeal rights, as appropriate.

IX. Expanded Sabbatical Authority

DoD activities have the authority to grant paid sabbaticals to career

employees to permit them to engage in study or uncompensated work experience that will contribute to their development and effectiveness. One developmental opportunity for a sabbatical (3-12 months in duration) may be granted to an employee in any 10-year period. Employees will be eligible after completion of 7 years of full-time Federal service. Each opportunity must result in a product, service, report, or study that will benefit the DoD activity mission as well as increase the employee's individual effectiveness. Various learning or developmental experiences may be considered, such as advanced academic teaching; study; research; self-directed or guided study; and on-the-job work experience with a public, private commercial, or private nonprofit organization. Employees approved for a paid sabbatical must sign a service obligation agreement to continue in service for a period equivalent to the length of the sabbatical. If an employee voluntarily leaves Federal service before this service obligation is completed, the employee is liable for repayment of any expenses associated with the sabbatical. Conflict of interest laws and regulations continue to apply.

X. Volunteer Emeritus Program

The volunteer emeritus program will provide continued quality experience and technical support while reducing the overall salary line by allowing higher paid individuals to accept retirement incentives with the opportunity to retain a presence in the organization. Each activity head will have the authority to offer retired or separated individuals volunteer assignments in support of the continuance of specialized work projects or to retain corporate knowledge as advisors or mentors, but not to perform duties that would otherwise be performed by DoD employees, including the duties that the separated or retired employee performed before leaving the Department of Defense. Volunteer emeritus program assignments are not considered employment by the Federal Government (except for purposes of injury compensation). Thus, such assignments do not affect an employee's entitlement to buy-outs or severance payments based on an earlier separation from Federal Service. This program will be of most benefit during manpower reductions, as senior members of the workforce could accept retirement and return to provide valuable on-the-job training or mentoring to less experienced employees.

Volunteer service shall not be used to replace any employee, or interfere with career opportunities of employees. In addition, an employee may not continue to perform his/her former duties as a volunteer emeritus.

To be accepted into the emeritus corps, a volunteer must be recommended by a supervisor and approved by the activity head. An individual wanting consideration for the emeritus corps may submit a request to his/her decision-making authority; however, no one who applies is entitled to a volunteer assignment.

The volunteer's Federal retirement pay (whether military or civilian) will not be affected while serving in a volunteer capacity. Retired or separated Federal employees may accept an emeritus position without a break in service or mandatory waiting period.

Volunteer emeritus corps members will not be permitted to perform any inherently Governmental functions, including monitoring contracts on behalf of the Government. The volunteers may be required to submit a financial disclosure form annually and will not be permitted to participate on any contracts or other activities where a conflict of interest exists. The same rules that currently apply to source selection members will apply to volunteers.

In each case, there must be a written agreement between the volunteer, the decision-making authority, and the personnel servicing activity stating the volunteer's duties and agreement by the volunteer that he or she is not entitled to any pay or compensation for performance of volunteer duties. The agreement must be finalized before the assumption of duties.

XI. Revised Reduction-in-Force (RIF) Procedures

RIF shall be conducted according to the following provisions.

Policy: The DoD policy is to accomplish required civilian personnel reductions through attrition whenever practicable. Involuntary separation or furlough of employees will occur only when other prudent actions cannot accomplish the required results.

Competition in RIF: Employees compete for retention within their retention levels and the next lower retention level for positions with the same title and in the same series during RIF competition. When positions are abolished, employees are released from their retention levels in inverse order of their retention standing, beginning with the employee having the lowest standing. If an employee is reached for release from a retention level, he or she

could have a right to be assigned to another position in the next lower retention level containing positions with the same title and series. If so, the employee must be offered that position or an equivalent one.

A. Competitive Area

The competitive area may be determined by career groups, lines of business, product line(s), organizational unit(s), funding lines and/or geographical location, or a combination of these elements, and must include all employees within the defined competitive area. Descriptions of all competitive areas must be made readily available for review.

B. Retention Level

1. Separate retention levels are established for all positions, based on the following:

- a. Service (competitive and excepted service).
- b. Within the excepted service, for each different appointment authority (e.g., Veterans' Readjustment Appointment, Schedule A authority).
- c. Career group
- d. Title/specialization, series, pay band level (may include primary functional code, as appropriate).
- e. Work schedule (full-time, part-time, intermittent, seasonal, or on-call basis). No distinction may be made on the basis of number of hours or weeks scheduled to be worked.
- f. Trainee status (formally designated trainee or development program having all the characteristics covered in 5 CFR 351.702(e)(1) through (e)(4)). Trainees may be placed in a separate competitive area.
2. Factors that do not justify establishment of separate retention levels:

- a. Rotating shift requirements.
 - b. Supervisory positions.
- Supervisors compete in the career group and level of the work supervised, or the technical work accomplished, that forms the basis for the classification of the position.

C. Retention List

The retention list consists of all positions in a retention level and contains the name of each competing employee who is officially assigned to that level in retention standing order. Retention determinations are based on each employee's official position, not the employee's personal qualifications.

D. Retention Standing

Competing employees shall be listed on the retention list according to their retention standing. Preference eligibles

with a service-connected disability of 30 percent or more and whose current performance score exceeds 50 will be listed at the top of the list for the retention level according to their tenure group in individual performance score order. If there is more than one preference eligible with a service-connected disability of 30 percent or more in a tenure group, they shall be ordered by individual performance score.

Retention standing for all other employees shall be based on the following factors:

1. Tenure

Tenure group I includes all career employees, including those serving on an initial probationary period. Tenure group II includes those employees on indefinite appointments, temporary appointments for more than 12 months pending establishment of a register, status quo appointments, term appointments, and any other nonstatus nontemporary appointments, which meet the definition of provisional appointments contained in 5 CFR 316.401 and 316.403. The tenure group provisions apply equally to employees in both the competitive and excepted services.

2. Performance

Within each tenure group, employees will be listed in individual performance score order. Employees with performance scores between 0 and 50 are ineligible to compete in RIF, regardless of tenure or preference.

3. Veterans' Preference

Within each performance score, employees will be sorted by veterans' preference. The A sort includes preference eligibles other than those with a service-connected disability of 30 percent or more. Sort B includes nonpreference eligibles.

Ties will be broken first by RIF service computation date and second by order of merit ranking.

E. Credit for Performance

Prior to the initial rating of record under the BP schema, employees are entitled to retention credit based on 5 CFR 351.504, "Credit for performance."

After the initial rating of record under the BP PFP management system, employees are entitled to retention credit based on the employee's performance scores. (See VII.E.5.d.) This includes employees converted during system stand-up and all employees converted at a later time. Employees receive retention credit for up to a maximum of three performance scores

received during the 4-year period before the date of the issuance of RIF notices or cut-off date, as follows:

1. First Cycle

After completion of the first rating cycle, employees will be provided credit for performance based on their actual performance scores.

2. Second Cycle

After completion of the second rating cycle, employees will be provided performance credit based on the average of their first two performance scores.

3. Third Cycle

After completion of the third rating cycle, employees will be provided performance credit based on the average of their last three performance scores.

4. Accessions After First Cycle

Employees entering this system after the first rating cycle has been accomplished will be assigned a performance score based on the modal score range for the competitive area. This includes employees who have not been in this system 90 days and have not received a rating during any cycle.

5. Cutoff Dates

To provide adequate time to determine employee retention standing, organizations may provide for a cutoff date, a specified number of days prior to the issuance of RIF notices, after which no new ratings of record will be used. When a cutoff date is used, an employee will receive performance credit for the three most recent performance scores received during the 4-year period before the cutoff date. Regardless of the number of applicable ratings, the average will be used to determine retention standing, unless only a modal rating has been assigned. In this circumstance, only the modal rating will be used.

To be creditable for retention standing, a performance score must have been issued to the employee, with all appropriate reviews and signatures, and must be on record (i.e., the performance score is available for use by the office responsible for establishing retention lists).

F. Assignment Rights

Employees can displace other employees with lower retention standing in the same or next lower retention level for positions with the same title and series within the competitive area of the RIF. When a tenure group I competitive service employee with a current performance score of 51 or higher is reached for

release from the retention list for that employee's retention level, an offer of assignment shall be made to another competitive service position which requires no reduction, or the least possible reduction, in earning potential.

Vacancies may be used (within the employee's assignment rights). Additionally, an employee reached for release from the retention list shall be offered assignment (as defined in XI.F.) to another position encumbered by an employee with lower retention standing. If the employee accepts, the employee shall be assigned to the position offered. If the employee has no assignment right or does not accept an offer of assignment, the employee shall be furloughed or separated.

Employees reached for release who qualify for positions occupied by employees with lower retention may displace a lower standing employee as long as undue interruption does not occur, except that they may not displace employees who occupy positions with higher earning potential. Undue interruption means the degree of interruption that would prevent the completion of required work by the employee 90 days after the employee has been placed in a different position.

If there is no placement within the employee's retention level, a displaced employee may be assigned to a position in the next lower retention level (level determined on same retention level factors including same title and series) from which the employee is being displaced in accordance with the assignment rights designated as follows.

Assignment rights are determined by retention level and may be defined by (1) the pay band level within a given career group and (2) the pay schema (e.g., displacement within a pay band level may extend no lower than 75 percent of the affected employee's current base pay). When the assignment range (e.g., 75 percent of base pay) exceeds the pay band level, assignment may be made in a lower pay band level within a retention level defined by the same factors. If assignment is offered into a lower pay band level, employees (other than 30 percent compensably disabled veterans) may displace only within the highest 25 percent of the salary rate range for the career group and lower pay band level. Thirty percent compensably disabled veterans may displace within a range of 100 percent of basic pay within their current career group and pay band level; additionally, when the range exceeds the current pay band level, such veterans may displace within the highest 50 percent of the salary rate range for the level lower and within the

retention level defined by the same factors.

XII. Evaluation Plan

Chapter 47 of 5 U.S.C. requires that an evaluation be performed to measure the results of a demonstration project and its impact on improving public management (5 U.S.C. 4703(h)). A comprehensive evaluation plan for the entire science and technology (S&T) reinvention laboratory demonstration program was developed by a joint OPM/DoD Evaluation Committee in 1995, and the resultant final summative evaluation report covering 1997-2001 (the first 5 years of operation) was issued in August 2002. As noted in the Supplementary Information section of this notice, best practices were identified through a review of initiatives that have been subject to testing and evaluation in demonstrations and alternative personnel systems (APSS). An evaluation plan is established by ODUSD(CPP) to assess program results as the S&T reinvention laboratory demonstrations continue in operation under best practices. Under this plan, evaluation of S&T laboratory demonstration program results and the program's impact on improving DoD human resources management will continue to address six general issues, as follows:

- A. The degree to which the program's purpose and goals are met;
- B. Cost;
- C. Project implementation and operation;
- D. Impact on veterans, minorities, and women;
- E. Impact on merit system principles and prohibited personnel practices; and
- F. Degree of potential applicability of the program to other groups within the Department of Defense.

XIII. Project Duration

Section 342 of Pub. L. 103-337 removed any mandatory expiration date for the S&T reinvention laboratory demonstration project program. Major changes and modifications to the demonstration project plan contained in this amendment can be made through announcement in the *Federal Register*.

XIV. Required Waivers and Adaptations of Law and Regulation

Section 342 of Pub. L. 103-337, as amended, gave the Department of Defense the authority to experiment with several personnel management innovations in the Department of Defense science and technology (S&T) reinvention laboratories. In addition to the authorities granted by the law, the

following are waivers and adaptations of law and regulation that will be necessary for implementation of best practices in the S&T reinvention laboratory demonstration project program. In due course, additional laws and regulations may be identified for waiver.

Those personnel policies, programs, and entitlements not included as part of the demonstration project best practices (e.g., discipline, benefits, and entitlements) will be administered in accordance with existing statutes and regulations. The following waivers and adaptations of certain provisions are required only to the extent that these statutory provisions limit or are inconsistent with the actions contemplated under demonstration project best practices.

Waivers and Adaptations of Title 5, United States Code (U.S.C.)

Chapter 5, Section 552a: Records Maintained on Individuals. This section is adapted only to the extent necessary to allow volunteers under the volunteer merit program to be treated as "Federal personnel," as that term is defined in this section.

Chapter 31, Section 3132: The Senior Executive Service: Definitions and Exclusions. This section is adapted to the extent necessary to allow creation of pay band level 3, CG 1, Science and Engineering Research, and pay band level 4, CG 2, Professional and Administrative Management.

Chapter 33, Section 3308: Competitive Service; Examinations; Educational Requirements Prohibited; Exceptions. This section is waived with respect to the scholastic achievement appointment authority.

Chapter 33, Section 3317(a): Competitive Service; Certification from Registers. This section is waived to eliminate the "rule of three."

Chapter 33, Section 3318(a): Competitive Service; Selection from Certificates. This section is waived to eliminate the "rule of three" and to allow preference eligibles to be passed over.

Chapter 33, Section 3319: Alternative Ranking and Selection Procedures. This section is adapted only to the extent necessary to give the Department of Defense authority to use alternative ranking and selection procedures without OPM regulation, and to allow rating, ranking, and referral by quality groups of all candidates, including disabled veterans with a compensable service-connected disability of 10 percent or more.

Chapter 33, Section 3321(a)(2): This section is waived to eliminate the

requirement for probationary period before initial appointment as a supervisor or manager.

Chapter 33, Section 3324: Appointment to Positions Classified Above GS-15. This section is waived to allow creation of pay band level 3, CG 1, Science and Engineering Research, and pay band level 4, CG 2, Professional and Administrative Management.

Chapter 33, Section 3341: Details: Within Executive or Military Departments. This section is adapted to allow details to extend beyond 120 days.

Chapter 35, Section 3502(c): This section is waived to allow performance score as a retention factor before veterans' preference.

Chapter 43, Section 4301(3): Definitions. This section is waived to allow a different definition of the term, "unacceptable performance."

Chapter 43, Section 4302: Establishment of Performance Appraisal Systems. This section is adapted to allow pay banding and to accommodate performance-focused pay features of the PFP evaluation system.

Chapter 43, Section 4302(a)(3): Establishment of Performance Appraisal Systems. This section is adapted to replace the term "grade" with "pay band level" and accommodate best practices procedures for taking actions on unacceptable performance.

Chapter 43, Section 4302(b)(1): Establishment of Performance Appraisal Systems. This section is waived to accommodate demonstration project best practices establishment of benchmark performance standards.

Chapter 43, Section 4302(b)(2): Establishment of Performance Appraisal Systems. This section is adapted only to the extent necessary to replace the term "critical elements" with "performance objectives and performance factors."

Chapter 43, Sections 4303(a), (b), and (c): Actions Based on Unacceptable Performance. These sections are adapted to replace the term "grade" with "pay band level" and accommodate demonstration project best practices procedures for taking actions based on unacceptable performance. Appeal rights apply as provided for in BP requirements.

Chapter 43, Sections 4304(b)(1) and (3): Responsibilities of the Office of Personnel Management. These sections are waived to reflect changes in responsibilities authorized by section 342 of Pub. L. 103-337, as amended by section 1114 of Pub. L. 106-398.

Chapter 51, Sections 5101-5115: Classification. These sections regarding classifying and grading positions are waived to permit allocation of

demonstration project best practices positions to pay band levels on the basis of descriptors.

Chapter 53, Sections 5301; 5302(1), (8), and (9); 5303; and 5304: Pay Comparability System. These sections are adapted to: (1) Allow employees in CG 1, level 3, Science and Engineering Research, and CG 2, level 4, Professional and Administrative Management, to be treated as ST employees; (2) allow supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C of CG 2, level 3, to be treated as ST employees; (3) allow all other demonstration project best practices employees to be treated as GS employees; and (4) allow basic rates of pay under demonstration project best practices to be treated as scheduled rates of basic pay. These adaptations do not apply to ST employees, who will continue to be covered by these title 5 statutory provisions, as appropriate.

Chapter 53, Section 5305: Special Pay Authority. This section is waived to make special salary rates inapplicable to BP employees after their conversion into demonstration project best practices and to allow special salary rate supplements only when specifically incorporated through the use of the SSR supplement provisions of demonstration project best practices.

Chapter 53, Section 5305 Special Pay Authority Reference to Federal Employees Pay Comparability Act of 1990 (Public Law 101-509): Federal Law Enforcement Pay Reform. This title is adapted only to allow law enforcement officers covered by demonstration project best practices to be treated as law enforcement officers under the GS.

Chapter 53, Section 5305: Pay Fixed By Administrative Action. This section is adapted to the extent that pay may not be paid, through the exercise of authority under this section, at a rate in excess of the rate of basic pay payable for SES level 4 (ES-4).

Chapter 53, Sections 5331-5338: General Schedule Pay Rates. These sections are waived to allow career groups and pay band levels and accommodate performance-focused pay features of demonstration project best practices.

Chapter 53, Sections 5361-5366: Grade and Pay Retention. These sections are waived to: (1) Eliminate grade retention; (2) eliminate pay retention provisions for reductions in pay due solely to the removal or reduction of supervisory pay upon leaving a supervisory position; (3) provide that pay retention provisions apply to non-supervisory employees for a maximum of two years after pay is reduced; (4) provide that pay retention

provisions do not apply to conversions from GS special rates to demonstration project best practices pay, as long as total pay is not reduced; (5) provide that pay retention does not apply to reduction in basic pay due solely to the reallocation of demonstration project best practices pay rates in the implementation of a SSR supplement; (6) provide that, for employees assigned to level 3, CG 1, Science and Engineering Research, and employees assigned to level 4, CG 2, Professional and Administrative Management, pay retention is not applicable and pay retention provisions are modified so that no rate established under these provisions may exceed the rate of basic pay for GS-15, step 10 (i.e., there is no entitlement to retained rate); and (7) otherwise allow demonstration project best practices employees to be treated as GS employees. These adaptations do not apply with respect to coverage for ST employees, except when an ST employee moves to a GS-equivalent position within demonstration project best practices under conditions that trigger entitlement to pay retention.

Chapter 55, Sections 5542(a)(1)-(2): Overtime Rates; Computation. These sections are adapted only to the extent necessary to provide that the GS-10 minimum special rate (if any) for the special rate category to which a demonstration project best practices employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5542.

Chapter 55, Section 5543: Compensatory Time Off. This section is adapted only to the extent necessary to provide that the GS-10 maximum special rate (if any) for the special rate category to which a demonstration project best practices employee belongs is deemed to be the "applicable special rate" in applying the compensatory time off provisions in 5 U.S.C. 5543.

Chapter 55, Section 5545(d): Hazardous Duty Differential. This section is adapted to allow demonstration project best practices employees to be treated as GS employees. However, this adaptation does not apply to ST employees or employees in CG 1, level 3, Science and Engineering Research, and CG 2, level 4, Professional and Business Management; supervisor B and C employees of CG 1, level 2; and supervisor B and C of CG 2, level 3. They are excluded from coverage under 5 U.S.C. 5545(d).

Chapter 55, Section 5547(a)-(b): Limitation on Premium Pay. These sections are adapted only to the extent necessary to provide that the GS-15 maximum special rate (if any) for the

special rate category to which a project employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5547.

Chapter 57, Sections 5753, 5754, and 5755: Recruitment and Relocation Bonuses; Retention Allowances; and Supervisory Differentials. These sections are adapted only to: (1) Allow employees in CG 1, level 3, Scientific and Engineering Research, and CG 2, level 4, Professional and Business Management; (supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C of CG 2, level 3 to be treated as ST employees; (2) allow all other demonstration project best practices employees to be treated as GS employees; and (3) allow basic rates of pay under demonstration project best practices to be treated as scheduled rates of basic pay. However, these adaptations do not apply to ST employees, who will continue to be covered by these Title 5 statutory provisions, as appropriate.

Chapter 59, Section 5941: Allowances Based on Living Costs and Conditions of Environment; Employees Stationed Outside Continental United States or in Alaska. This section is adapted only to the extent necessary to provide that cost of living allowances (COLAs) paid to employees under demonstration project best practices are paid in accordance with regulations prescribed by the President (as delegated to OPM).

Chapter 71: Labor-Management Relations. This chapter is waived only to the extent that its provisions (e.g., 5 U.S.C. 7103(a)(12) and 7116) would prohibit management or the union from unilaterally terminating negotiations over whether employees represented by the union will be converted into this demonstration project.

Chapter 75, Section 7512(3) and (4): Adverse Actions. These sections are adapted only to the extent necessary (1) to replace "grade" with "pay band level," (2) to provide that reductions in pay band level not accompanied by a reduction in pay are not covered by chapter 75, subchapter II, (3) to ensure that adverse action provisions do not apply (a) to conversions from GS special rates to demonstration project pay or from other demonstration project pay to this demonstration project pay, as long as total pay is not reduced, and (b) to supervisory pay when an employee moves to a lower level supervisory position or to a nonsupervisory position, and (4) to otherwise accommodate demonstration project best practices features.

Chapter 75, Section 7513: Cause and Procedure. This section is adapted only

to the extent necessary to accommodate demonstration project best practices features.

Waivers and Adaptations of Title 5, Code of Federal Regulations (CFR)

Section 213.3102(bb): Excepted Schedules. This section is adapted to eliminate the requirement for prior OPM approval.

Sections 300.601–300.605: Time-in-Grade Restrictions. These sections are waived to eliminate time-in-grade restrictions under this demonstration project.

Sections 315.801 and 315.802: Probationary Period. These sections are adapted only to the extent necessary to allow extended probationary periods up to three years, as specified in the project plan for this demonstration project.

Section 315.901–315.909: Probation on Initial Appointment to a Supervisory or Managerial Position. These sections are waived to eliminate supervisory probationary period.

Section 316.301: Term Employment; Purpose and Duration. This section is adapted to allow modified term employee appointments to cover a maximum period of 6 years.

Section 316.303: Tenure of Term Employees. This section is adapted to allow employees on demonstration project modified term employee appointments to compete for permanent status through local merit promotion plans.

Section 332.402: Regular Order of Certification for Appointment. This section is waived.

Section 332.404: Order of Selection from Certificates. This section is adapted to eliminate the "rule of three" under this demonstration project.

Section 332.406: Objections to Eligibles. This section is adapted only to the extent necessary to allow the Department of Defense to act on objections to eligibles.

Part 333: Recruitment and Selection for Temporary and Term Appointments Outside the Register. This section is adapted to allow noncompetitive temporary and term appointments.

Section 335.103(c)(i): Agency Promotion Programs. This section is adapted only to the extent necessary to allow temporary job changes of 2 years or less to a position in a higher pay band level and to expand discretionary exemptions to agency promotion programs.

Section 339.306: Processing Medical Eligibility Determinations on Certificates of Eligibles. Adapted to allow the Department of Defense to make the necessary medical determinations.

Part 351: Reduction in Force. This part is adapted to the extent necessary to allow provisions of the RIF plan as described in this Federal Register notice for this demonstration project. Specific adaptations and waivers include:

Section 351.203: Definitions. This section is adapted to conform to Federal Register notice and best practices.

Section 351.205: Authority of OPM. This section is waived.

Section 351.402(b): Competitive Area. This section is waived only to the extent necessary to allow competitive area to be defined by career group, line of business, product line, organization unit, funding line, and/or geographic location.

Section 351.403: Competitive Level. This section is waived.

Section 351.404: Retention Register. This section is eliminated to allow establishment of retention levels and retention register as provided in this Federal Register notice for this demonstration project.

Sections 351.501–351.504: These sections are waived.

Section 351.701: Assignment Involving Displacement. This section is waived.

Part 430, Subpart B: Performance Appraisal for General Schedule, Prevailing Rate, and Certain Other Employees. This subpart is waived to accommodate the establishment of this demonstration project's pay for performance evaluation system.

Part 432: Performance Based Reduction in Grade and Removal. This part is adapted to (1) allow employees to be removed, reduced in pay band level with a reduction in pay, reduced in pay without a reduction in pay band level, and reduced in pay band level without a reduction in pay based on unacceptable performance, (2) eliminate performance standards and critical elements, (3) incorporate what constitutes "acceptable performance" and "unacceptable performance," as defined in the demonstration project plan, (4) replace the term "grade" with "pay band level," and (5) provide that, for employees who are reduced in pay band level without a reduction in pay, Sections 432.105 and 432.106(a) do not apply.

Section 432.102: Coverage. This section is adapted to the extent necessary to replace "grade" with "pay band level."

Sections 432.104 and 432.105: Addressing Unacceptable Performance; Proposing and Taking Action Based on Unacceptable Performance. These sections are waived to allow the establishment of alternative procedures

under the pay for performance evaluation system.

Part 511, Sections 511.101-511.703: Classification Under the General Schedule. These sections are waived to: (1) Permit allocation of best practices positions to pay band levels on the basis of pay band level descriptors; (2) permit reconsideration of pay system, occupational series, title, or pay band level according to the procedures established by the BP.

Part 530, Subpart C: Special salary rates. This subpart is waived to the extent necessary to provide that special salary rates are inapplicable to BP employees after their conversion into BP.

Part 531, Subpart C: Special Pay Adjustments for Law Enforcement Officers. This subpart is adapted only to: (1) Allow law enforcement officers in CG 2, level 4, Professional and Administrative Management, to be treated as ST employees; (2) allow all other law enforcement officers to be treated as GS employees; and (3) allow basic rates of pay under BP to be treated as scheduled rates of basic pay. However, these adaptations do not apply to ST employees, who will continue to be covered by these Title 5 regulatory provisions, as appropriate.

Part 531, Subparts B, D and E: Determining Rates of Basic Pay: Within-Grade Increases; and Quality Step Increases. These subparts are waived to allow pay banding and accommodate performance-focused pay features of this demonstration project's pay for performance evaluation system.

Part 531, Subpart F: Locality-Based Comparability Payments. This subpart is adapted only to the extent necessary to: (1) Allow employees in CG 1, level 3, Scientific and Engineering Research, and CG 2, level 4, Professional and Administrative Management, to be treated as ST employees; (2) allow supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C employees of CG 2, level 3 to be treated as ST employees; (3) allow all other BP employees to be treated as GS employees; and (4) allow basic rates of pay under best practices to be treated as scheduled rates of basic pay. However, these adaptations do not apply to ST employees, who will continue to be covered by these Title 5 regulatory provisions, as appropriate.

Part 536: Grade and Pay Retention. This part is adapted to: (1) Eliminate grade retention; (2) eliminate pay retention provisions for reductions in pay due solely to the removal of or reduction in a supervisory adjustment upon leaving a supervisory position for

another supervisory position or a nonsupervisory position; (3) provide that pay retention provisions do not apply to conversions from GS special rates to BP pay, as long as total pay is not reduced; (4) provide that pay retention provisions do not apply to reductions in basic pay due solely to the reallocation of BP pay rates in the implementation of a SSR supplement; (5) provide that pay retention provisions apply to nonsupervisory employees for a maximum of two years after pay is reduced; and (6) ensure that for employees of CG 1, level 3, Scientific and Engineering Research, and CG 2, level 4, Professional and Administrative Management, pay retention is not applicable and pay retention provisions are modified so that no rate established under these provisions may exceed the rate of basic pay for GS-15, step 10 (i.e., there is no entitlement to retained rate). These adaptations do not apply with respect to coverage for ST employees, except when an ST employee moves to a GS-equivalent position within BP under conditions that trigger entitlement to pay retention.

Part 550, Sections 550.105-550.106: Biweekly and Annual Maximum Earnings Limitations. These sections are adapted only to the extent necessary to provide that the GS-15 maximum special rate (if any) for the special rate category to which a BP employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5547.

Part 550, Section 550.113(a): Computation of Overtime Pay. This section is adapted only to the extent necessary to provide that the GS-10 minimum special rate (if any) for the special rate category to which a BP employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5542.

Section 550.703: Definitions. This section is adapted only to the extent necessary to modify the definition of "reasonable offer" by replacing "two grade or pay levels" with "one pay band level" and "grade or pay level" with "pay band level."

Section 550.902: Hazardous Duty Differential. This section is adapted only to the extent necessary to allow BP employees to be treated as GS employees. However, this adaptation does not apply to ST employees or employees in CG 1, level 3, Scientific and Engineering Research; CG 2, level 4, Professional and Administrative Management; supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C employees of CG 2,

level 3. They are excluded from coverage under section 550.902.

Part 575, Subparts A, B, C, and D: Recruitment Bonuses; Relocation Bonuses; Retention Allowances; and Supervisory Differentials. These subparts are adapted only to the extent necessary to: (1) Allow employees in CG 1, level 3, Scientific and Engineering Research; CG 2, level 4, Professional and Administrative Management; supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C employees of CG 2, level 3, to be treated as other BP employees; (2) allow all other BP employees to be treated as GS employees; and (3) allow basic rates of pay under BP to be treated as scheduled rates of basic pay. However, these adaptations do not apply to ST employees, who will continue to be covered by these Title 5 regulatory provisions, as appropriate.

Part 591, Subpart B: Cost-of-Living Allowances and Post Differential—Nonforeign Areas. This subpart is adapted only to the extent necessary to allow BP employees to be treated as employees under the GS, and employees in CG 1, level 3, Scientific and Engineering Research; CG 2, level 4, Professional and Administrative Management; supervisor B and C employees of CG 1, level 2; supervisor D employees of CG 2, level 2; and supervisor B and C employees of CG 2, level 3, to be treated as ST employees.

Section 731.202: Criteria. Adapted to allow DoD to make all suitability determinations.

Part 752, Subpart D: Regulatory Requirements for Removal, Suspension for More than 14 Days, Reduction in Grade or Pay, or Furlough for 30 Days or Less. This subpart is waived.

Appendix A: Occupational Series in Career Group 2, Professional and Administrative Management

Series	Occupational series title
0006 ..	Correctional Institution Administration.
0018 ..	Safety and Occupational Health Management.
0020 ..	Community Planning.
0023 ..	Outdoor Recreation Planning.
0025 ..	Park Ranger.
0028 ..	Environmental Protection Specialist.
0030 ..	Sports Specialist.
0050 ..	Funeral Directing.
0060 ..	Chaplain.
0062 ..	Clothing Design.
0072 ..	Fingerprint Identification.
0080 ..	Security Administration.
0082 ..	US Marshall.
0101 ..	Social Science.
0110 ..	Economist.
0130 ..	Foreign Affairs.

Series	Occupational series title	Series	Occupational series title	Series	Occupational series title
0131 ..	International Relations.	0668 ..	Podiatrist.	1176 ..	Building Management.
0132 ..	Intelligence.	0669 ..	Medical Records Administration.	1221 ..	Patent Adviser.
0135 ..	Foreign Agricultural Affairs.	0670 ..	Health System Administration.	1222 ..	Patent Attorney.
0142 ..	Manpower Development.	0671 ..	Health System Specialist.	1301 ..	General Physical Science.
0150 ..	Geography.	0673 ..	Hospital Housekeeping Management.	1306 ..	Health Physics.
0160 ..	Civil Rights Analysis.			1310 ..	Physics.
0170 ..	History.	0680 ..	Dentist.	1313 ..	Geophysics.
0180 ..	Psychology.	0685 ..	Public Health Program Specialist.	1315 ..	Hydrology.
0184 ..	Sociology.	0688 ..	Sanitarian.	1319 ..	Chemistry.
0185 ..	Social Work.	0690 ..	Industrial Hygiene.	1321 ..	Metallurgy.
0188 ..	Recreation Specialist.	0701 ..	Veterinary Medical Science.	1330 ..	Astronomy and Space Science.
0190 ..	General Anthropology.	0801 ..	General Engineering.	1340 ..	Meteorology.
0193 ..	Archeology.	0803 ..	Safety Engineering.	1350 ..	Geology.
0201 ..	Human Resources Management.	0804 ..	Fire Protection Engineering.	1360 ..	Oceanography.
0222 ..	Occupational Analysis.	0806 ..	Materials Engineering.	1361 ..	Navigational Information.
0223 ..	Salary and Wage Administration.	0807 ..	Landscape Architecture.	1370 ..	Cartography.
0243 ..	Apprenticeship and Training.	0808 ..	Architecture.	1372 ..	Geodesy.
0248 ..	Contractor Industrial Relations.	0810 ..	Civil Engineering.	1373 ..	Land Surveying.
0249 ..	Wage and Hour Compliance.	0819 ..	Environmental Engineering.	1382 ..	Food Technology.
0260 ..	Equal Employment Opportunity.	0828 ..	Construction Analyst.	1384 ..	Textile Technology.
0301 ..	Miscellaneous Administration and Program.	0830 ..	Mechanical Engineering.	1386 ..	Photographic Technology.
0334 ..	Computer Specialist.	0840 ..	Nuclear Engineering.	1397 ..	Document Analysis.
0340 ..	Program Management.	0850 ..	Electrical Engineering.	1410 ..	Librarian.
0341 ..	Administrative Officer.	0854 ..	Computer Engineering.	1412 ..	Technical Information Services.
0342 ..	Support Services Supervisor.	0855 ..	Electronics Engineering.	1420 ..	Archivist.
0343 ..	Management and Program Analysis.	0858 ..	Biomedical Engineering.	1510 ..	Actuary.
0346 ..	Logistics Management.	0861 ..	Aerospace Engineering.	1515 ..	Operations Research.
0360 ..	Equal Opportunity Compliance.	0871 ..	Naval Architecture.	1520 ..	Mathematics.
0391 ..	Telecommunications.	0873 ..	Ship Surveying.	1529 ..	Mathematical Statistician.
0401 ..	General Biological Science.	0881 ..	Petroleum Engineering.	1530 ..	Statistician.
0403 ..	Microbiology.	0890 ..	Agricultural Engineering.	1550 ..	Computer Science.
0405 ..	Pharmacology.	0892 ..	Ceramic Engineering.	1601 ..	General Facilities and Equipment.
0408 ..	Ecology.	0893 ..	Chemical Engineering.	1630 ..	Cemetery Administration.
0410 ..	Zoology.	0894 ..	Welding Engineering.	1640 ..	Facility Management.
0413 ..	Physiology.	0896 ..	Industrial Engineering.	1654 ..	Printing Management.
0414 ..	Entomology.	0901 ..	General Legal and Kindred Administration.	1658 ..	Laundry and Dry Cleaning Plant Management.
0415 ..	Toxicology.	0904 ..	Law Clerk.	1667 ..	Steward.
0430 ..	Botany.	0905 ..	General Attorney.	1670 ..	Equipment Specialist.
0434 ..	Plant Pathology.	0920 ..	Hearings and Appeals.	1701 ..	General Education and Training.
0435 ..	Plant Physiology.	0950 ..	Paralegal Specialist.	1702 ..	Education and Training Technician.
0437 ..	Horticulture.	0967 ..	Passport and Visa Examining.	1710 ..	Education and Vocational Training.
0440 ..	Genetics.	0981 ..	Workers' Compensation Claims Examining.	1712 ..	Training Instruction.
0454 ..	Rangeland Management.			1720 ..	Education Program.
0457 ..	Soil Conservation.	1001 ..	General Arts and Information.	1725 ..	Public Health Educator.
0460 ..	Forestry.	1008 ..	Interior Design.	1740 ..	Education Services.
0470 ..	Soil Science.	1010 ..	Exhibits Specialist.	1750 ..	Instructional Systems.
0471 ..	Agronomy.	1015 ..	Museum Curator.	1801 ..	General Inspection, Investigation, and Compliance.
0480 ..	General Fish and Wildlife Administration.	1016 ..	Museum Specialist and Technician.	1810 ..	General Investigating.
0482 ..	Fishery Biology.	1020 ..	Illustrating.	1811 ..	Criminal Investigating.
0486 ..	Wildlife Biology.	1035 ..	Public Affairs.	1812 ..	Game Law Enforcement.
0487 ..	Animal Science.	1040 ..	Language Specialist.	1815 ..	Air Safety Investigating.
0493 ..	Home Economics.	1051 ..	Music Specialist.	1825 ..	Aviation Safety.
0501 ..	Financial Administration and Program.	1054 ..	Theater Specialist.	1831 ..	Securities Compliance Examining.
0505 ..	Financial Management.	1056 ..	Art Specialist.	1890 ..	Customs Inspection.
0510 ..	Accounting.	1060 ..	Photography.	1910 ..	Quality Assurance.
0511 ..	Auditing.	1071 ..	Audiovisual Production.	1980 ..	Agricultural Commodity Grading.
0526 ..	Tax Specialist.	1082 ..	Writing and Editing.	2001 ..	General Supply.
0560 ..	Budget Analysis.	1083 ..	Technical Writing and Editing.	2003 ..	Supply Program Management.
0592 ..	Tax Examining Series.	1084 ..	Visual Information.	2010 ..	Inventory Management.
0601 ..	General Health Science.	1101 ..	General Business and Industry.	2030 ..	Distribution Facilities and Storage Management.
0603 ..	Physician's Assistant.	1102 ..	Contracting.	2032 ..	Packaging.
0610 ..	Nurse.	1103 ..	Industrial Property Management.	2050 ..	Supply Cataloging.
0630 ..	Dietitian and Nutritionist.	1104 ..	Property Disposal.	2101 ..	Transportation Specialist.
0631 ..	Occupational Therapist.	1130 ..	Public Utilities Specialist.	2110 ..	Transportation Industry Analysis.
0633 ..	Physical Therapist.	1140 ..	Trade Specialist.	2123 ..	Motor Carrier Safety.
0638 ..	Recreation/Creative Arts Therapist.	1144 ..	Commissary Store Management.	2130 ..	Traffic Management.
0639 ..	Educational Therapist.	1150 ..	Industrial Specialist.	2150 ..	Transportation Operations.
0644 ..	Medical Technologist.	1152 ..	Production Control.	2152 ..	Air Traffic Control.
0660 ..	Pharmacist.	1160 ..	Financial Analysis.	2161 ..	Marine Cargo.
0662 ..	Optometrist.	1163 ..	Insurance Examining.	2181 ..	Aircraft Operation.
0665 ..	Speech Pathology and Audiology.	1170 ..	Realty.	2183 ..	Air Navigation.
		1171 ..	Appraising.		
		1173 ..	Housing Management.		

Series	Occupational series title
2185 ..	Aircrew Technician
2210 ..	Information Management.

Appendix B: Occupational Series in Career Group 3, Engineering, Scientific, and Medical Support

Series	Occupational series title
0102 ..	Social Science Aid and Technician.
0119 ..	Economics Assistant
0181 ..	Psychology Aid and Technician.
0186 ..	Social Services Aid and Assistant.
0187 ..	Social Services.
0404 ..	Biological Science Technician.
0455 ..	Range Technician
0458 ..	Soil Conservation Technician.
0462 ..	Forestry Technician.
0620 ..	Practical Nurse
0621 ..	Nursing Assistant.
0625 ..	Autopsy Assistant.
0636 ..	Rehabilitation Therapy Assistant.
0640 ..	Health Aid and Technician.
0642 ..	Nuclear Medicine Technician.
0644 ..	Medical Technologist.
0645 ..	Medical Technician.
0646 ..	Pathology Technician.
0647 ..	Diagnostic Radiologic Technician.
0648 ..	Therapeutic Radiologic Technician.
0649 ..	Medical Instrument Technician.
0651 ..	Respiratory Therapist.
0661 ..	Pharmacy Technician.
0667 ..	Orthotist and Prosthetist.
0681 ..	Dental Assistant.
0682 ..	Dental Hygiene.
0683 ..	Dental Laboratory Aid and Technician.
0698 ..	Environmental Health Technician.
0704 ..	Animal Health Technician.
0802 ..	Engineering Technician.
0809 ..	Construction Control.
0817 ..	Surveying Technician.
0818 ..	Engineering Drafting.
0856 ..	Electronics Technician.
0895 ..	Industrial Engineering Technician.
1311 ..	Physical Science Technician.
1316 ..	Hydrologic Technician.
1341 ..	Meteorological Technician.
1371 ..	Cartographic Technician
1374 ..	Geodetic Technician
1521 ..	Mathematics Technician.
1531 ..	Statistical Assistant.

Appendix C: Occupational Series in Career Group 4, Business and Administrative Support

Series	Occupational series title
0019 ..	Safety Technician.
0021 ..	Community Planning Technician.
0025 ..	Park Ranger.
0029 ..	Environmental Protection Assistant.
0081 ..	Fire Protection and Prevention Police.
0083 ..	Security Guard.
0085 ..	Security Clerical and Assistance
0090 ..	Guide
0120 ..	Food Services
0134 ..	Intelligence Aid and Clerk.
0189 ..	Recreation Aid and Assistant.
0203 ..	Human Resources Assistance.
0302 ..	Messenger
0303 ..	Miscellaneous Clerk and Assistant.
0304 ..	Information Receptionist.
0305 ..	Mail and File.
0309 ..	Correspondence Clerk.
0312 ..	Clerk-Stenographer and Reporter.
0313 ..	Work Unit Supervising.
0318 ..	Secretary.
0319 ..	Closed Microphone Reporting.
0322 ..	Clerk-Typist
0326 ..	Office Automation Clerical and Assistance
0332 ..	Computer Operation.
0335 ..	Computer Clerk and Assistant.
0342 ..	Support Services Supervisor.
0344 ..	Management and Program Clerical and Assistance.
0350 ..	Equipment Operator.
0351 ..	Printing Clerical.
0355 ..	Calculating Machine Operation.
0356 ..	Data Transcriber
0357 ..	Coding
0361 ..	Equal Opportunity Assistance.
0382 ..	Telephone Operating.
0390 ..	Telecommunications Processing.
0392 ..	General Telecommunications
0394 ..	Communications Clerical.
0503 ..	Financial Clerical and Technician.
0525 ..	Accounting Technician.
0530 ..	Cash Processing.
0540 ..	Voucher Examining.
0544 ..	Civilian Pay.
0545 ..	Military Pay.
0561 ..	Budget Clerical and Assistance.
0622 ..	Medical Supply Aide and Technician.
0664 ..	Restoration Technician.
0675 ..	Medical Records Technician.
0679 ..	Medical Support Assistance.

Series	Occupational series title
0962 ..	Contact Representative.
0963 ..	Legal Instruments Examining.
0986 ..	Legal Assistance.
0994 ..	Unemployment Compensation Claims Examining.
0995 ..	Dependent and Estate Claims Examining.
0998 ..	Claims Assistance and Examining.
1001 ..	General Arts and Information
1021 ..	Office Drafting.
1048 ..	Language Clerical.
1087 ..	Editorial Assistance.
1101 ..	General Business and Industry.
1105 ..	Purchasing.
1106 ..	Procurement Clerical and Technician.
1107 ..	Property Disposal Clerical and Technician.
1182 ..	Retail Manager
1202 ..	Patent Technician.
1411 ..	Library Technician.
1421 ..	Archives Technician.
1702 ..	Education and Training Technician.
1802 ..	Compliance Inspection and Support.
1860 ..	Public Health Inspection.
1863 ..	Food Inspection.
1890 ..	Customs Inspection.
1897 ..	Customs Aid.
2005 ..	Supply Clerical and Technician.
2091 ..	Sales Store Clerical.
2102 ..	Transportation Clerk and Assistant.
2111 ..	Transportation Rate and Tariff Examining.
2131 ..	Freight Rate.
2135 ..	Transportation Loss and Damage Claims Examining.
2144 ..	Cargo Scheduling.
2151 ..	Dispatching.
2154 ..	Air Traffic Assistance.

Appendix D: Supervisory Pay Tables

(Based on 2003 Basic General Schedule Salary Table)

The supervisory rate ranges include basic pay and supervisory adjustment in the following percentages:

Supervisor A—10%
Supervisor B—20%
Supervisor C—30%
Supervisor D—45%

Locality pay adjustments will apply to the nonsupervisory and supervisory pay ranges, as appropriate

Career Group 1		Level 1 rate range \$23,442–\$66,961	Level 2 rate range \$61,251–\$110,682	Level 3 rate range \$102,188– \$133,800	Level 4 does not exist in this Career Group
Supervisor A	.....	N/A	N/A	N/A	
Supervisor B	.....	N/A	\$61,241–\$129,498	N/A	
Supervisor C	.....	N/A	\$61,251– \$150,865**	N/A	
Supervisor D	.....	N/A	N/A	N/A	
Career Group 2		Level 1 rate range \$23,442–\$55,873	Level 2 rate range \$51,508–\$79,629	Level 3 rate range \$72,381–\$110,682	Level 4 rate range \$102,188– \$133,800
Supervisor A	\$23,442–\$61,460	\$51,508–\$87,592	N/A	N/A
Supervisor B	\$23,442–\$66,961	\$51,508–\$94,098	\$72,381–\$129,498	N/A

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Career Group 2	Level 1 rate range \$23,442–\$55,873	Level 2 rate range \$51,508–\$79,629	Level 3 rate range \$72,381–\$110,682	Level 4 rate range \$102,168– \$133,800
Supervisor C	\$23,442–\$79,629	\$51,508–\$110,682	\$72,381– \$150,865**	N/A
Supervisor D	\$23,442–\$94,098	\$51,508–\$129,498	N/A	N/A
Career Group 3	Level 1 rate range \$15,214–\$27,234	Level 2 rate range \$23,442–\$37,749	Level 3 rate range \$32,158–\$55,873	Level 4 does not exist in this Career Group
Supervisor A	\$15,214–\$28,868	\$23,442–\$40,014	\$32,158–\$61,460	
Supervisor B	\$15,214–\$30,471	\$23,442–\$41,806	\$32,158–\$66,961	
Supervisor C	N/A	\$23,442–\$46,175	\$32,158–\$79,629	
Supervisor D	N/A	\$23,442–\$50,851	N/A	
Career Group 4	Level 1 rate range \$15,214–\$27,234	Level 2 rate range \$23,442–\$37,749	Level 3 rate range \$32,158–\$50,851	Level 4 does not exist in this Career Group
Supervisor A	\$15,214–\$28,868	\$23,442–\$40,014	\$32,158–\$55,936	
Supervisor B	\$15,214–\$30,471	\$23,442–\$41,806	\$32,158–\$61,021	
Supervisor C	N/A	\$23,442–\$46,175	\$32,158–\$66,961	
Supervisor D	N/A	\$23,442–\$50,851	N/A	

Career Group 5 Does Not Have Associated
Supervisory Tables.

** Not to exceed SES level 4 (ES–4 =
\$133,800)

Note: The basis for "N/A" is that
establishment of supervisory positions at
these levels is not anticipated. However, if a
supervisory position is established at such a
level, the maximum rate of pay is 20 percent
above the maximum rate for the base level

supervised (see VI.A.1). However, in no case
will pay exceed the rate of basic pay for SES
level 4 (ES–4).

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United States General Accounting Office
Washington, DC 20548

May 6, 2003

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Member
Committee on Armed Services
House of Representatives

Subject: DOD's Proposed Acquisition and Reporting Reforms

In your May 1, 2003, hearing on the Defense Transformation for the 21st Century Act ("the Act"), you asked that we provide our assessment of several of the Act's provisions. Specifically, you asked that we address both DOD's statutory proposals and its request for relief from certain reporting requirements, with particular reference to any reports that are important for GAO in continuing its independent and timely analysis in support of Congressional oversight. This letter addresses sections of the Act related to DOD major weapon system acquisitions. As you know, on March 28th, we provided GAO's views to the House and Senate Armed Services Committees on the 164 recurring reports for which DOD had requested relief in a March 7 request.

We will be providing under separate cover our recommendations on safeguards that should be considered in connection with the national security personnel system proposals in Section 101 and our assessment of a provision regarding domestic source requirements contained in Section 204. Our assessments in this letter are based on many years of reviewing individual weapon system acquisitions and a body of work in which we have established a knowledge-based approach to decisionmaking on major acquisitions, much of which DOD has embodied in its acquisition policies.

The acquisition provisions of this Act are broad in scope and have significant potential implications for the Congress and GAO. With expenditures approaching \$150 billion a year on acquisitions, DOD is seeking to repeal selected requirements that have provided the Congress with invaluable information about the status of major defense acquisition programs and has helped to force DOD to improve management discipline over these programs. While we believe that some of the reporting and related requirements for major acquisitions can and should be streamlined and simplified to better reflect the current acquisition climate, we believe that care needs to be taken so as not to eliminate key elements that provide a critical basis for GAO's work and congressional oversight.

DOD's major acquisition programs continue to consistently consume more time and money than planned and deliver products that fall short of the performance that is promised given the investment. As a result, some level of value- and risk-based reporting and other requirements should still be applicable to DOD. Our specific assessment and concerns follow.

Section 201 Would Repeal Oversight Requirements Applicable To Major Defense Acquisition Programs

Description of Current Provisions

- Separate designation of major defense acquisition program (10 U.S.C. 2430). A major defense acquisition program is one estimated to require an eventual total expenditure for research, development, test, and evaluation of more than \$365,000,000, or an eventual total expenditure for procurement of more than \$2.190 billion (based on fiscal year 2000 constant dollars); a program that doesn't meet these thresholds can also be designated a major defense acquisition program at the discretion of senior DOD leadership (for example, due to congressional special interest).
- Weapons development and procurement schedules (10 U.S.C. 2431). DOD is currently required to provide budget justification data for each weapon system for which procurement funds are requested annually in the budget, including the development schedule, the planned procurement schedule, results of operational testing and evaluation, and the minimum and most efficient production rates.
- Regular reporting to Congress (10 U.S.C. 2432). The Secretary of Defense submits regular (quarterly summary and comprehensive annual) reports to the Congress on a program's status through "Selected Acquisition Reports" (SARs), which include such information as development schedule and costs, program acquisition cost, program acquisition unit cost, procurement cost, procurement unit cost, reasons for changes in cost or schedule, and major contract awards.
- Mechanism for Addressing Significant Baseline Cost and Schedule Variances (10 U.S.C. 2433, a.k.a. Nunn-McCurdy). If program acquisition unit cost (or procurement unit cost in the program has entered the procurement phase of the acquisition cycle) increases by certain percentages over the baseline estimate, DOD notifies Congress of the increase in a detailed management report (including a contract performance assessment); if the percentage increase exceeds 25 percent, the Secretary of Defense additionally submits to Congress a written certification that the program is essential to national security, there are no alternatives to the program which will provide equal or greater military capability at less cost, the new estimates are reasonable, and the management structure of the program is adequate to manage costs. Failure to file a required report or certification to Congress triggers a statutory

prohibition on the obligation of appropriated funds for a major contract under the program.

- Baseline for measuring progress (10 U.S.C. 2435). The Secretary of the Service responsible for the program is required to establish a baseline description of program, addressing cost (baseline) estimate, schedule, performance, and supportability
- Consideration of technology and industrial base (10 U.S.C. 2440)—This assessment is required in the acquisition plans for each major defense acquisition program.

GAO's Assessment

Although there are undoubtedly opportunities to streamline and simplify reporting requirements, we have serious concerns about the far-reaching implications of eliminating completely the Title 10 safeguards cited above. Programs that are designated as major defense acquisition programs require increased and higher-level management and congressional oversight than programs of lower acquisition categories. A baseline against which to measure progress is critical to an understanding of whether DOD is retaining the purchasing power necessary to justify large taxpayer investments and meet force modernization goals. Information that accompanies DOD's annual request for funding provides Congress with a justification for the use of taxpayer funds and the Selected Acquisition Reports provided periodically afford DOD the opportunity and impose the discipline to assess a program's progress relative to its promises. Certification of significant baseline breaches under Nunn-McCurdy provide accountability for DOD decisionmaking. We believe that congressional oversight and decisionmaking demand some level of value- and risk-based reporting and detailed justifications of funding requests.

Section 102 Removes The Requirements Compelling DOD To Maintain A Professional Cadre Of Program Managers and Program Executive Officers (Generally Contained In Chapter 87 of Title 10 U.S. Code)

Description of Provisions

- Dedicated program and executive management (10 U.S.C. 1733, 1734, 1735). Program managers and program executive officers of major defense acquisition programs are deemed critical acquisition positions that may only be filled by members of a professional acquisition corps with established education, training, and experience requirements (assignments are reviewed by an acquisition career program board and last until the program's next major milestone). In the proposed Act, the acquisition workforce continues to receive special attention. The Act gives the Secretary of Defense sole, exclusive and unreviewable discretion regarding the designation of acquisition, technology, and logistics positions as well as matters pertaining to the qualifications, assignment, selection, training, and career development of the workforce.

GAO's Assessment

The Defense Acquisition Workforce Improvement Act has been successful in professionalizing DOD's acquisition workforce. Given their significant responsibilities and the public trust that they hold, the DOD workforce needs to be held to clearly defined standards for baseline knowledge, training, and career progression. The workforce may or may not continue to be held to current standards as its management is left to the sole, exclusive, and unreviewable discretion of this or any succeeding Secretary of Defense.

Section 203 Authorizes The Executive Branch (including DOD) To Adjust The Dollar Thresholds For Numerous Acquisition-Related Statutes For Inflation

Description of Provisions

- This provision sweeps broadly through many procurement statutes, such as those pertaining to applicability of cost accounting standards (41 U.S.C. 422), Truth In Negotiations Act requirements (10 U.S.C. 2306a), post employment restrictions under the Procurement Integrity Provisions (41 U.S.C. 423), simplified acquisitions (10 U.S.C. 2302a), micro-purchases (41 U.S.C. 428), approval requirements for noncompetitive acquisitions (10 U.S.C. 2304), limitations of reimbursable liabilities in acquisition and cross-servicing agreements with NATO and non-NATO countries (10 U.S.C. 2347), major systems definitions (10 U.S.C. 2302d), benchmarking for contractor executive compensation limitations (41 U.S.C. 435), allowable costs under defense contracts (10 U.S.C. 2324), and a host of others far too numerous to list here. This section authorizes the Federal Acquisition Regulatory Council to adjust the dollar thresholds set out in such statutes as well as authorizing the head of an executive agency such as DOD to adjust thresholds that apply exclusively to that agency.

GAO Assessment

The Department's justification provides that thresholds have not kept pace with inflation over time and that adjustment authority is necessary to restore the original intent concerning their applicability. Although we would generally agree with the concept that thresholds should keep pace with inflation, we are concerned about a provision of such breadth that its applicability and impact cannot be reasonably assessed at the time of enactment. The Department's justification focuses on thresholds related to low-dollar value procurements. As a result, this adjustment authority should be limited to statutory requirements related to such procurements and the targeted thresholds should be specifically identified in the statute. Additionally, the text of the legislation does not limit the basis for adjustment solely to inflation. This concept appears only in the section title. There is a general rule of statutory construction that section titles cannot limit the plain meaning of the text. To prevent interpretation issues in the future, we would recommend specific provisions within the text that limit adjustments to the effects of inflation. Further, some of these statutory thresholds are of significant congressional interest and, under the proposal, could be changed without further congressional input.

Section 411 Would Permanently Authorize the Secretary of Defense To Transfer Amounts In Working Capital Funds and Among Appropriated Funds And Significantly Increase The Amount Subject To Transfer

Description of Provisions

- This section, according to DOD, would amend section 2214 of 10 U.S.C. to authorize the Secretary of Defense to transfer working capital funds and funds appropriated in annual defense appropriations acts, appropriation accounts or any subdivision thereof. Consistent with the current 10 U.S.C. 2214, general transfer authority has been provided in annual authorization and appropriation acts. This provision would amend section 2214 to provide the Secretary of Defense with permanent authority for such transfers. While recent authorization and appropriation acts have permitted transfers of up to \$2.5 billion, this provision would raise that amount to two and a half percent of the amount made available to DOD in annual appropriations acts. In time of war or national emergency declared by the President, this amount could be increased by up to five percent. The Secretary would provide the Congress 15 days' notice before any such transfer is made. This provision would repeal a provision in section 2214 limiting the preparation or presentation of reprogramming requests to Congress.

GAO Assessment

We believe the proposed permanent transfer authority, while providing greater spending flexibility to DOD, would significantly reduce congressional—and even Office of Management and Budget—oversight over DOD spending. Currently, transfer authority must be approved each year by Congress, and use of this authority by DOD also requires Office of Management and Budget approval. Under the proposed section, DOD will no longer have to request authority from Congress to transfer funds or obtain internal executive branch approval for such transfers. The proposal also significantly increases the actual amounts that can be transferred without further congressional input. For example, while recent transfer authority has been limited to \$2.5 billion, section 411's permanent authority of up to 2.5 percent of annual appropriations would have meant that about \$9 billion could have been transferred in fiscal year 2003 without congressional input. Further, we believe permanent transfer authority with the significantly higher limit proposed by DOD could have a negative impact on the operation of working capital funds. Working capital funds are expected to recoup costs of operation through customer charges and generate neither a profit or loss. Excess funds can provide the basis for a rate decrease; likewise, losses can lead to future rate increases. Significant transfers could adversely affect this balance.

Section 421 Sunsets All Recurring Reports To Congress Or A Congressional Committee After Five Years From The Date Of Enactment Of The Statute Requiring The Report

Description of Provision

With the exception of the Secretary's annual report to Congress, this provision applies to all reports currently required to be submitted as well as any reporting requirements established after the effective date of this Act.

GAO Assessment

The sunset provision would, with one exception, apply to all reports currently required by statute to be submitted by DOD (in addition to any new reporting requirements). Thus, existing recurring reporting requirements of at least 5 years would expire upon enactment of this Act. This section could, arguably, effectively repeal important recurring reports in Title 10 of the U.S. Code (such as the Selected Acquisition Reports) and elsewhere (such as the annual report required of DOD by the Government Performance and Results Act). This may not have been intended, but the language needs to be revised if it is not to impact substantive legislative requirements. One possible option would be to start the five-year clock on any existing reports at the date of enactment. DOD could seek repeal of any specific reports prior to the end of the five-year period based on a business case proposal.

Requested Relief From Reporting Requirements

In its March 7th submission to the House and Senate Armed Services Committees for relief from 164 existing reporting requirements, the Department did not include several significant reports from which it has now requested relief in this proposal. In the hearing of May 1, the Under Secretary of Defense for Acquisitions, Technology and Logistics proposed alternative reporting to the Congress for oversight of acquisition programs; for example, he suggested providing internal data to the Congress that DOD uses to manage acquisition programs.

However, no alternatives are contained in the proposed Act for providing the Congress with some level of value- and risk-based reporting for congressional oversight and decisionmaking purposes. Without access to many of these reports or similar data, GAO would be severely constrained in continuing to provide independent assessments in support of Congressional authorizations, appropriations, and oversight. In addition, without a requirement to collect and report relevant information to the Congress, program managers may continue the trend we have observed recently of allowing contractors to retain more management data. It has been our experience that information that is not reported may cease to be collected and, therefore, will likely not be available for GAO's assessments. Given the significant taxpayer funds involved, we do not believe this would be in the interest of the Congress or the taxpayers.

Report Titles:

- Quarterly Selected Acquisition Reports
- Waiver of the Requirement to Submit Selected Acquisition Reports for a Particular DOD Program
- Comprehensive Selected Acquisition Reports
- Waiver of the Requirement to Submit Research, Development, Test and Evaluation-only Selected Acquisition Reports

Each of these four reporting requirements represent information from one report. The Secretary of Defense submits regular (quarterly summary and comprehensive annual) reports to the Congress on a program's status through Selected Acquisition Reports, which we describe earlier under Section 201. The reports provide historical data necessary for: assessing lessons learned from acquisition decisions, cost trends on individual programs, characteristics of certain categories of acquisitions, such as tactical aircraft, impact of acquisition policy changes on improving cost, schedule, and performance outcomes and buying power analyses.

GAO's Assessment

In our view, the current reports could be made more relevant to DOD's new evolutionary acquisition process and less burdensome on DOD's management processes by including knowledge-based metrics as indicators of program status/progress and examining each report requirement for redundancy. Likewise, capturing relevant data in an electronic format available to GAO and to the Congress would eliminate the burden of the report itself, but not the information needed for program management and oversight.

Report Titles:

- Unit Cost Reports
- Unit Cost Reports—Percentage Increase in the Program Acquisition Unit Cost by at Least 15 Percent
- Unit Cost Reports—Percentage Increase in the Program Acquisition Unit Cost Exceeds 25 Percent Certification

A description of these reports is presented earlier under Section 201.

GAO's Assessment

Revoking this reporting requirement would not merely repeal a report, but would eliminate a substantive legislative oversight mechanism that is triggered by a program's significant reported cost increases. The existing requirement prohibits DOD from obligating funds for a major contract under the program unless it explains and justifies such significant cost increases. Without the reporting requirement, which is intertwined with congressional oversight, DOD will not be required to report and explain significant baseline breaches. Furthermore, if the requirement for establishing a program baseline is waived, breaches may go undetected.

Report Title: Research Projects: Transactions Other Than Contracts and Grants

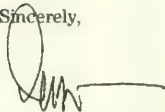
A report required annually by 10 U.S.C. 2371(h) on DOD's use of cooperative agreements authorized under 10 U.S.C. 2358 and transactions authorized by 10 U.S.C. 2371(a) (known as "other transactions") in carrying out basic, applied, and advanced research projects.

GAO's Assessment

In our view, DOD's annual report on cooperative agreements and other transactions, as currently structured, is overly burdensome to prepare and provides limited useful information. However, other transactions remain a relatively new instrument and, for certain types, authority for their use is authorized on a temporary basis. As a result, a significantly streamlined report would be of more use. We noted in October 2002 that DOD should consider providing a summary table in its annual report that would include the number of nontraditional parties participating in the agreements, a key metric to measure the success of the instrument. Including this key metric, along with a summary table that identifies the number of agreements awarded by each agency, the total dollar value, the amount of cost-share, if any, provided by participating contractors, a brief description of the project, and the rationale for waiving the cost-sharing requirement, if appropriate, may serve Congress' needs while reducing the burden on DOD.

We trust the above information is helpful to you. We will be happy to work with your Committee and the Congress to address these and other issues of mutual interest and concern. Please let me know if we can be of further assistance.

Sincerely,



David M. Walker
Comptroller General
of the United States

cc: Chairman and Ranking Minority Member, Senate Committee on Armed Services
 Chairman and Ranking Minority Member, Senate Armed Services Subcommittee on Personnel
 Chairman and Ranking Minority Member, Senate Committee on Governmental Affairs
 Chairman and Ranking Minority Member, Senate Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
 Chairman and Ranking Minority Member, Senate Governmental Affairs Subcommittee on Financial Management, the Budget and International Security
 Chairman and Ranking Minority Member, House Committee on Government Reform
 Chairman and Ranking Minority Member, House Government Reform Subcommittee on Civil and Agency Organization
 Chairman and Ranking Minority Member, House Armed Services Subcommittee on Total Force

Transformation Proposal Legislative Outreach

9/26/2003 10:29 AM

AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
PHASE I - CONCEPT BRIEF					
Staff	HAC-D, HBC, HASC, SBC, SPC, GAO, HPC, HGRC, SASC	Personnel Transformation Overview	Mr. Kueg	Briefing	Jan-03
Susan Collins	SGAC	Personnel Transformation Overview	Mr. Kueg	Meeting	1/15/03 4:30PM
Subcomm Chairs	HASC	Transformation Overview	Mr. Geren	Meeting	2/13/03 12:30PM
PHASE II - LEADERSHIP BRIEF					
Duncan Hunter	HASC Chair	National Security Personnel System (NSPS)	Dr. Chu	Meeting	2/4/03 8:00AM
Duncan Hunter	HASC Chair	NSPS, MilPers proposals	Dr. Chu	Meeting	2/13/03 11:00AM
John McHugh	HASC MilPers Chair	NSPS, MilPers proposals	Dr. Chu	Meeting	2/13/03 11:00AM
Joel Helley	HASC Readiness Chair	NSPS, MilPers proposals	Dr. Chu	Meeting	2/13/03 11:00AM
Jim Saxton	HASC Terrorism Chair	Reserves transformation proposals	Dr. Chu/Adm. Hall	Meeting	2/13/03 10:30AM
Tom Davis	HGRC Chair	NSPS	Dr. Wolfowitz	Teleconfered	3:5/03 PM
Tom Davis	HGRC Chair	NSPS	Dr. Chu	Meeting	3/13/03 6:00PM
Members/Staff	HGRC	NSPS	Dr. Chu	Briefing	3/19/03 5:00PM
Ike Skelton	HASC Ranking	NSPS, End Strength Proposals	Dr. Chu	Meeting	3/5/03 4:00PM
JoAnn Davis	HGRC Civil Service Chair	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
Chris Shays	HGRC National Security Chair	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
Ed Schrock	HGRC/HASC Member	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
Ed Schrock	HGRC/HASC Member	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
Mike Turner	HGRC/HASC Member	NSPS	Dr. Chu	Meeting	4/30/2003 8:00
John Spratt	HBC Ranking/HASC Senior Dem	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
John Spratt	HBC Ranking/HASC Senior Dem	NSPS	Dr. Chu	Meeting	4/7/03 4:30PM
Vic Snyder	HASC Total Force Ranking	NSPS	Dr. Chu	Meeting	4/2/03 4:30PM
Gene Taylor	HASC Projection Forces Ranking	NSPS	Dr. Chu	Meeting	4/2/03 5:00PM
Susan Collins	SGAC Chair	NSPS	Dr. Chu	Meeting	3/18/03 4:30PM
Susan Collins	SGAC Chair	NSPS	Mr. Abell	Meeting	3/24/03 4:30PM
Susan Collins	SGAC Chair	NSPS	Dr. Chu	Meeting	3/11/2003
John Ksl	Senate Policy Chair, SResources	NSPS	Dr. Chu	Meeting	4/2/03 3:30PM
Mark Pryor	HGRC	NSPS	Dr. Chu	Meeting	3/31/03 1:30PM
Ben Nelson	SASC Personnel Ranking	NSPS	Dr. Chu	Meeting	4/9/03 3:30PM
John Ensign	SASC Readiness Chair	NSPS	Dr. Chu	Meeting	4/2/03 2:45PM
Candace Miller	HGRC	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM
Toad Plants	HGRC	NSPS	Dr. Chu	Meeting	3/19/03 5:00PM

Transformation Proposal Legislative Outreach

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
PHASE III - DETAIL BRIEFS TO INDIVIDUAL MEMBERS, STAFFERS, ORGANIZATIONS					
Alicia Jones	HAC-D MilPers Staffer	NSPS; MilPers proposals	Larry I anzilotta	Meeting	1/4/2003
Judy Ansley	SASC Staff Director	National Security Personnel System (NSPS)	Mr. Abell	Meeting	2:5:03 4:40PM
Milpers staff	SASC	NSPS; MilPers proposals	Mr. Abell	Meeting	2/19/03 9:00AM
PSMs/MLAs	SASC	NSPS	Mr. Abell	Briefing	3/24/03 4:30PM
John Chapla	HASC Personnel Sublead	NSPS	Dr. Chu	Meeting	2/4/2003
John Chapla	HASC Personnel Sublead	NSPS	Mr. Abell	Meeting	4/21/2003
Rick Stark	HASC Readiness Sublead	NSPS	Dr. Chu	Meeting	2/4/2003
Sub Committee Chair	HGRS	NSPS	Dr. Chu	Meeting	4:29/2003
Republican Member	HGRS	NSPS	Dr. Chu	Meeting	4/29/2003
Rep. Joann Davis and	HGRS (CS Sub.)	NSPS	Dr. Chu	Meeting	2/4/2003
Rusty Johnston	HASC Majority Counsel	NSPS	Mr. Abell	Meeting	2/19/2003
Peter Levine	SASC Minority Counsel	NSPS	Ginger Groeber/Steve	Meeting	4/15/03 3:00PM
Peter Levine	SASC Minority Counsel	NSPS	Ginger Groeber/Steve	Meeting	4/15/03 3:00PM
Nanci Langley	SGAC Minority	NSPS	Ginger Groeber/Steve	Meeting	4/17/2003
Ann Fisher	SGAC Majority	NSPS	Ginger Groeber	Meeting	4/22/03 3:30PM
Ann Fisher	SGAC Majority	NSPS	Mr. Abell	Meeting	4/21/2003
Mike Higgins	HASC	NSPS	Mr. Abell	Meeting	4/22/03 2:30PM
Paty Lewis	SASC	NSPS	Ginger Groeber	Meeting	4/22/03 3:30PM
Paty Lewis	SASC	NSPS	Mr. Abell	Meeting	4/22/03 2:30PM
Dick Walsh	SASC	NSPS	Mr. Abell	Meeting	4/22/03 2:30PM
Gary Leeling	SASC	NSPS	Steve Moffitt	Meeting	2/7/2003 10:30
Sen. Ensign Staff		NSPS	Steve Moffitt	Meeting	2/7/2003 11:00
Sen. Allard Staff		NSPS	Steve Moffitt	Meeting	2/25/2003 18:00
Sen. Pryor Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 10:00
Sen. Daschle Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 10:30
Sen. Byrd Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 11:00
Sen. Jefford Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 11:30
Sen. Gregg Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 14:00
Sen. Akaka Staff		NSPS	Steve Moffitt	Meeting	3/28/03 2:30 PM
Sen. Roberts Staff		NSPS	Steve Moffitt	Meeting	3/28/2003 15:00
Sen. Biden Staff		NSPS	Steve Moffitt	Briefing	4/8/2003 12:00
Senate Staffers	Heritage Foundation	NSPS	Steve Moffitt	Meeting	4/16/2003 11:00
Sen. Baucus Staff		NSPS			

Transformation Proposal Legislative Outreach

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Sen Breaux Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 11:30
Sen Alexander Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 13:00
Sen. Carper Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 13:30
Sen. Dole Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 14:00
Sen. Kennedy Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 14:30
Sen. Craig Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 15:00
Sen. Lugar Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 15:30
Sen. Kerry Staff		NSPS	Steve Moffitt	Meeting	4/16/2003 16:00
Sen. Cochran Staff		NSPS	Steve Moffitt	Meeting	4/17/2003 10:00
Sen. Crapo Staff		NSPS	Steve Moffitt	Meeting	4/17/2003 10:30
Sen. Coleman Staff		NSPS	Steve Moffitt	Meeting	4/17/2003 11:00
Sen. Bennett Staff		NSPS	Steve Moffitt	Meeting	4/21/2003 12:00
Sen. Brownback Staff		NSPS	Steve Moffitt	Meeting	4/21/2003 14:00
Staff	SGAC + SASC		Steve Moffitt	Meeting	4/22/2003 14:00
Sen. Burns staff		NSPS	Steve Moffitt	Meeting	4/22/2003 10:00
Sen. Bunning Staff		NSPS	Steve Moffitt	Meeting	4/22/2003 11:00
Sen. Reid Staff		NSPS	Steve Moffitt	Meeting	4/22/2003 12:00
Staff	SGAC		Steve Moffitt	Meeting	4/22/2003 15:30
Sen. Dodd Staff		NSPS	Steve Moffitt	Meeting	4/24/2003 13:30
Sen. Domenici Staff		NSPS	Steve Moffitt	Meeting	4/24/2003 14:00
Sen. Corzine Staff		NSPS	Steve Moffitt	Meeting	4/24/2003 15:00
Sen. DeWine Staff		NSPS	Steve Moffitt	Meeting	4/24/2003 15:30
Sen. Reed Staff		NSPS	Steve Moffitt	Meeting	4/25/2003 13:30
Sen. Feinstein Staff		NSPS	Steve Moffitt	Meeting	4/25/2003 14:00
Sen. Sarbanes Staff		NSPS	Steve Moffitt	Meeting	4/25/2003 14:30
Sen. Warner Staff		NSPS	Steve Moffitt	Meeting	4/25/2003 15:00
Sen. Feingold Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 15:00
Sen. Mikulski Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 14:00
Sen. Bingaman Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 14:30
Sen. Johnson Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 15:00
Sen. Kohl Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 15:30
Sen. Grassley Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 16:00
Sen. Landreau Staff		NSPS	Steve Moffitt	Meeting	4/28/2003 16:30
Sen. Stabenow Staff		NSPS	Steve Moffitt	Meeting	4/29/2003 13:00
Sen. Graham (FL) Staff		NSPS	Steve Moffitt	Meeting	4/29/2003 13:30

Transformation Proposal Legislative Outreach
9/26/2003 10:29 AM

AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Sen Boxer Staff		NSPS	Steve Moffit	Meeting	4/29/2003 14:00
Sen Thomas Staff		NSPS	Steve Moffit	Meeting	4/29/2003 14:30
Sen Shelby Staff		NSPS	Steve Moffit	Meeting	4/29/2003 15:00
Sen Coryn Staff		NSPS	Steve Moffit	Meeting	4/30/2003 0:00
Sen Collins Staff		NSPS	Steve Moffit	Meeting	4/30/2003 0:00
Bill Greenwalt	SASC	NSPS	RADM Godwin	Meeting	4/29/2003 1:00
Bill Greenwalt	SASC	NSPS	D.G. Uhler	Meeting	4/28/2003 3:00
Peter Levine	SASC Minority Counsel	NSPS	D.G. Uhler	Meeting	4/28/2003 3:00
Staff	HGRS (CS Sub)		Mr. Abell	Meeting	4/23/2003 15:00:00 AM
David Walker GAO			Mr. Abell	Meeting	4/23/2003 14:00:00 AM
Staff	SASC		Mr. Abell	Meeting	4/25/2003 10:30
Mika Oyac	SHELP	NSPS	Mr. Abell	Meeting	5/1/03 AM

Transformation Proposal Legislative Outreach
9/26/2003 10:29 AM

AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Acquisition Transformation					
PHASE I - CONCEPT BRIEF					
Staff	HAC-D, HBC, HASC, SBC, SPC, GAO, HPC, HGRC, SASC	Acquisition Transformation Overview	Mr. Krieg	Briefing	Jan-03
Susan Collins	SGAC Chair	Acquisition Transformation Overview	Mr. Krieg	Meeting	1/15/03 4:30PM
Subcomm Chairs	HASC	Transformation Overview	Mr. Geren	Meeting	2/13/03 12:30PM
PHASE II - LEADERSHIP BRIEF					
Duncan Hunter	HASC Chair	Acquisition Streamlining	Mr. Wynne	Meeting	2/4/03 8:00AM
Members/Staff	HGRC	Acquisition/Contracting Proposals	Mr. Wynne	Briefing	3/19/03 5:00PM
Solomon Ortiz	HASC Readiness Ranking	Acquisition/Contracting Proposals	Mr. Wynne	Meeting	3/26/2003
Marry Meehan	HASC Terrorism Ranking	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	4/2/03 5:00PM
Gene Taylor	HASC Projection Forces Ranking	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	4/2/03 5:00PM
Vic Snyder	HASC Total Force Ranking	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	4/2/03 5:00PM
John Spratt	HASC Member/HBC Ranking	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	4/8/2003
Joel Hefley	HASC Readiness Chair	Acquisition/Contracting Proposals	Mr. Wynne	Meeting	4/2/03 3:30PM
John Kyl	Senate Policy Chair; SResources	Acquisition/Contracting Proposals	Mr. Wynne	Meeting	4/2/03 2:45PM
John Ensign	SASC Readiness Chair	Acquisition/Contracting Proposals	Mr. Wynne	Meeting	4/30/2003 8:00
Ed Schroek	HGRC/HASC Member	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	
PHASE III - DETAIL BRIEFS TO INDIVIDUAL MEMBERS, STAFFERS, ORGANIZATIONS					
Judy Anselvy	SASC Staff Director	Acquisition Streamlining	Dr. Spruill	Meeting	2/5/03 4:40PM
Bill Greenwalt	SASC staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	2/19/03 9:00AM
Jonathan Ulliot	SASC Press Secretary	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	2/28/2003
Harald Stevanus	HASC Press Secretary	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	2/28/2003
Brian Walsh	Bill Young's Press Secretary	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	2/28/2003
Ryan Vaart	HASC staff	Acquisition/Contracting Proposals	Ric Sylvester	Meeting	3/6/03 2:30PM
MaryEllen Fraser	HASC staff	Acquisition/Contracting Proposals	Ric Sylvester	Meeting	3/6/03 2:30PM
PSMs MLAs	SASC	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	2/5/03 4:40PM
PSMs MLAs	HGRC	Acquisition/Contracting Proposals	Dee Lee	Briefing	3/19/03 5:00PM
Anne Fisher	GAC majority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Larry Novey	GAC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Mike Dovilla	GAC majority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Nanci Laughey	GAC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Darcie Tokioka	GAC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Peter Levine	SASC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Gary Leeling	SASC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Erin Conaton	HASC minority staff	Acquisition/Contracting Proposals	Dr. Spruill	Meeting	3/21/03 9:30AM
Bill Greenwalt	SASC	DAWIA	Richard Sylvester	Meeting	4/25/2003 1:00
Peter Levine	SASC Minority Counsel	DAWIA	Richard Sylvester	Meeting	4/25/2003 1:00
Bill Greenwalt	SASC	Acquisition/Contracting Proposals	D.G. Uhler	Meeting	4/28/2003 3:00
Peter Levine	SASC Minority Counsel	Acquisition/Contracting Proposals	D.G. Uhler	Meeting	4/28/2003 3:00

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Administrative/Money Transformation					
PHASE I - CONCEPT BRIEF					
Staff	HAC-D, HBC, HASC, SBC, SPC, GAO, IIPC, HGRC, SASC	Administrative/Money Transformation Overview	Mr. Krieg	Briefing	Jan-03
Susan Collins	SGAC Chair	Administrative/Money Transformation Overview	Mr. Krieg	Meeting	1/15/03 4:30PM
PHASE II - LEADERSHIP BRIEF					
Duncan Hunter	HASC Chair	Money Flexibility	Mr. Lanzillotta	Meeting	2/4/03 8:00AM
PHASE III - DETAIL BRIEFS TO INDIVIDUAL MEMBERS, STAFFERS, ORGANIZATIONS					
Judy Ansley	SASC Staff Director	Money Flexibility	Mr. Lanzillotta	Meeting	2/5/03 4:40PM
Staff	HASC	Recurring Reports Elimination	Ms. Godwin	Meeting	1/16/03 12:00PM
Staff	SASC	Recurring Reports Elimination	Ms. Godwin	Meeting	1/16/03 1:00PM
Jayson Spiegel	ROA Executive Director	Consolidation of MilPers Appropriations	Mr. Lanzillotta	Meeting	2/18/03 2:00PM
Greg Kylic	SASC Budget Staff	GTA Increase	Mr. Lanzillotta	Meeting	3/17/2003 12:00PM
Joe Fengler	SASC Budget Staff	GTA Increase	Mr. Lanzillotta	Meeting	3/17/2003 12:00PM
Scott Stucky	SASC Majority Counsel	Recurring Reports Elimination	Mr. Lanzillotta	Meeting	3/31/03 12:00PM
Alexis Lasselle	HASC Legislative Clerk	Recurring Reports Elimination	Mr. Lanzillotta	Meeting	3/31/03 12:00PM

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Range Readiness Preservation Initiative (RRPI)					
PHASE I - CONCEPT BRIEF					
PHASE II - LEADERSHIP BRIEF					
John Warner	SASC: Chairman	Marine Mammal Protection Act (MMPA)	CNO	Meeting	12/18/2002
John McCain	SCC Chairman, SASC Airland Chair	MMPA	DASN (L&F)	Meeting	1/7/2003
Duncan Hunter	HASC Chairman	Readiness and Range Preservation Initiative (RRPI)	Mr DuBois	Meeting	2/3/03 1:30PM
Duncan Hunter	IIASC Chairman	RRPI	DEPSEC, CNO, Com	Meeting	4/2/03 5:00PM
James Inhofe	SEnvironment Chair, SASC	RRPI	ASN (L&F), N4	Meeting	2/5/2003
James Inhofe	SEnvironment Chair, SASC	RRPI	MG Lovelace (USA)	Meeting	2/11/2003
James Inhofe	SEnvironment Chair, SASC	RRPI	Ligen Kelly (MC)	Meeting	2/13/2003
Wayne Gilchrist	HResources	MMPA	N45	Meeting	2/13/2003
Wayne Gilchrist	HResources	RRPI	BGEN Coleman	Phone call	4/9/2003
Jim Saxton	HResources, HASC	MMPA	N45	Meeting	2/13/2003
Jim Saxton	HResources, HASC	RRPI	Mr. Grone	Meeting	3/11/2003
Daniel Akaka	SASC: Readiness Ranking	RRPI	N4	Meeting	4/8/2003
Daniel Akaka	SASC Readiness Ranking	RRPI	Mr. DuBois	Teleconference	5/2003
Solomon Ortiz	HASC Readiness Ranking	RRPI	SecNav	Meeting	6/8/2003
Mark Pryor	SASC, SGAC	RRPI	Mr DuBois	Teleconference	5/2003
Billy Tauzin	Hcommerce Chair	RRPI	ADM Moore/GEN K	Meeting	3/3/03 2:00PM
Richard Pombo	HResources Chair	RRPI	DEPSEC, CNO, Com	Meeting	4/2/03 5:00PM
Ken Calvert	HResources Water Chair	RRPI	DEPSEC, CNO, Com	Meeting	4/2/03 5:00PM
Ken Calvert	HResources Water Chair	RRPI	BGEN Coleman	Phone call	4/9/2003
Jim Cooper	HASC/HGR	RRPI	USN/MC	Meeting	4/9/2003
Dennis Rehberg	HResources	RRPI	BGEN Coleman	Phone call	4/9/2003
Walter Jones	HResources	RRPI	BGEN Coleman	Phone call	4/9/2003
Walter Jones	HResources	RRPI	Ligen Kelly	Phone call	4/10/2003
Lane Evans	HASC	RRPI	N45/MC	Meeting	4/10/2003
Vic Snyder	HASC Total Force Ranking	RRPI	Ligen Kelly	Phone call	4/10/2003
Leb Bradley	HASC	RRPI	Ligen Kelly	Phone call	4/10/2003
John Kline	HASC	RRPI	BGEN Coleman	Phone call	4/2/2003
Tom Cole	HASC, HResources	RRPI	BGEN Coleman	Phone call	4/2/2003
Candice Miller	HASC, HGR	RRPI	BGEN Coleman	Phone call	4/2/2003
Saxby Chambliss	SASC MilPers Chair	RRPI	SAF/LL	Info pack	4/9/2003

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Mark Dayton	SASC, SGAC	RRPI	SAF/LL	Info pack	4/9/2003
Lindsey Graham	SASC	RRPI	SAF/LL	Info pack	4/9/2003
Bill Frist	Senate Majority Leader	RRPI	SAF/LL	Info pack	4/9/2003
Ben Nelson	SASC	RRPI	SAF/LL	Info pack	4/9/2003
Jim Talent	SASC	RRPI	SAF/LL	Info pack	4/9/2003
Jim Gibbons	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Mark Udall	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Chris Cannon	HGRC, HResources	RRPI	SAF/LL	Info pack	4/9/2003
Joe Wilson	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Jim Ryun	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Tom DeLay	House Majority Leader	RRPI	SAF/LL	Info pack	4/9/2003
Rodney Alexander	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Heather Wilson	HASC, HE&C	RRPI	SAF/LL	Info pack	4/9/2003
Scott McInnis	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Madeline Bordallo	HASC, HResources	RRPI	SAF/LL	Info pack	4/9/2003
Madeline Bordallo	HASC, HResources	RRPI	N45	Meeting	4/9/2003
George Radanovich	HResources Public Lands Chair	RRPI	SAF/LL	Info pack	4/9/2003
Jim Marshall	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Tom Osborne	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Devin Nunes	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Ellen Tauscher	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Kendrick Meek	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Barbara Cubin	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Phil Gingrey	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Tom Tancredo	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Loretta Sanchez	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Steve Pearce	HResources	RRPI	SAF/LL	Info pack	4/9/2003
Ciro Rodriguez	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Ike Skelton	HASC Ranking	RRPI	SAF/LL	Info pack	4/9/2003
Martin Frost	HRules Ranking	RRPI	SAF/LL	Info pack	4/9/2003
Terry Everett	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Jool Heley	HASC Readiness Chair	RRPI	SAF/LL	Info pack	4/9/2003
Mac Thornberry	HASC	RRPI	SAF/LL	Info pack	4/9/2003
Emi Falconavega	HResources	RRPI	RADM Reilly/G3	Meeting	4/10/2003
Mark Souder	HResources	RRPI	RADM Reilly/G3	Meeting	4/10/2003

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
John Peterson	HResources	RRPI	RADM Reilly/G3	Meeting	4/10/2003
John Finsign	SASC Readiness Chair	RRPI	VCNO(C)	Meeting	3/13/2003
Ellon Gallegly	HResources	RRPI	N45	Meeting	4/8/2003
Devin Nunes	HResources	RRPI	N45	Meeting	4/8/2003
Dennis Cardoza	HResources	RRPI	N45	Meeting	4/8/2003
Amy Caucis	House of Rep	RRPI	MG Lovelace (USA)	Lunch	4/28/03 12:00PM

PHASE III - DETAIL BRIEFS TO INDIVIDUAL MEMBERS, STAFFERS, ORGANIZATIONS

John Bonseil	Sen Inhofe MLA	RRPI	Mr. Grono	Meeting	1/9/03 4:30PM
John Bonseil	Sen Inhofe MLA	RRPI	Navy OLA	Meeting	1/16/2003
John Bonseil	Sen Inhofe MLA	RRPI	SAF/I&E	Meeting	2/7/2003
Bonnie Bruce	SResources Majority Staff	MMPA	Navy OLA	Meeting	1/14/2003
Dave Whaley	SResources Majority Staff	MMPA	Navy OLA	Meeting	1/14/2003
Garret Graves	Tauzin Personal Deputy CoS	MMPA	Navy OLA	Meeting	1/15/2003
MLAs/PSMs	House	MMPA	N45	Briefing	1/17/2003
Del Boddallo		RRPI	DASN (I&E)	Meeting	1/28/2003
Ted Michaels	SEPW Majority Staff	RRPI	ASA (I&E) Staff	Meeting	1/29/03 11:00AM
Cord Sterling	Sen Warner MLA	RRPI	Navy OLA	Meeting	1/29/2003
Jeanne Burpus	SCC Staff Director	MMPA	N45	Meeting	1/31/2003
Andy Minkiewicz	SCC PSM	MMPA	N45	Meeting	1/31/2003
Chris Paul	Sen McCain MLA	MMPA	N45	Meeting	1/31/2003
Anne Mittermeyer	SASC Majority Staff	RRPI	ASN (I&E)/N4/N45	Meeting	2/3/2003
Anne Mittermeyer	SASC Majority Staff	RRPI	Mr. Dubois	Meeting	2/12/03 3:00PM
Peter Levine	SASC Minority Counsel	RRPI	ASN (I&E)/N4/N45	Meeting	2/3/2003
Jenny Johnson	HASC Majority Counsel	RRPI	Defense Enviro Forum		2/4-5/03
Jenny Johnson	HASC Majority Counsel	MMPA	N45	Meeting	2/11/2003
Dudley Tademy	HASC Minority Staff	MMPA	Mr. Dubois	Meeting	2/12/03 3:00PM
Judy Ansley	SASC Staff Director	RRPI	PacFilt/USA	StaffDel	2/18-21/03
Christy Still	SASC Staff	MMPA	AF/USN/USA	Meeting	4/24/2003
David Jansen	H Resources Minority	RRPI	AF/USN/USA	Meeting	4/24/2003
Lori Sonken	H Resources Minority	RRPI	Steve Moffit	Meeting	2/7/2003 10:30
Sen. Ensign Staff		RRPI	Steve Moffit	Meeting	2/7/2003 11:00
Sen. Allard Staff		RRPI	Steve Moffit	Meeting	2/25/2003 18:00
Sen. Pryor Staff		RRPI	Steve Moffit	Meeting	3/28/2003 10:00
Sen. Daschle Staff		RRPI			

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Sen. Byrd Staff		RRPI	Steve Moffitt	Meeting	3/28/2003 10:30
Sen. Jefford Staff		RRPI	Steve Moffitt	Meeting	3/28/2003 11:00
Sen. Gregg Staff		RRPI	Steve Moffitt	Meeting	3/28/2003 11:30
Sen. Akaka Staff		RRPI	Steve Moffitt	Meeting	3/28/2003 14:00
Sen. Roberts Staff		RRPI	Steve Moffitt	Meeting	3/30/03 2:30 PM
Sen. Biden Staff		RRPI	Steve Moffitt	Meeting	3/28/2003 15:00
Senate Staffers	Heritage Foundation	RRPI	Steve Moffitt	Briefing	4/8/2003 12:00
Sen. Baucus Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 11:00
Sen. Breaux Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 11:30
Sen. Alexander Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 13:00
Sen. Carper Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 13:30
Sen. Dole Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 14:00
Sen. Kennedy Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 14:30
Sen. Craig Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 15:00
Sen. Lugar Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 15:30
Sen. Kerry Staff		RRPI	Steve Moffitt	Meeting	4/16/2003 16:00
Sen. Cochran Staff		RRPI	Steve Moffitt	Meeting	4/17/2003 10:00
Sen. Crapo Staff		RRPI	Steve Moffitt	Meeting	4/17/2003 10:30
Sen. Coleman Staff		RRPI	Steve Moffitt	Meeting	4/17/2003 11:00
Sen. Bennett Staff		RRPI	Steve Moffitt	Meeting	4/21/2003 12:00
Sen. Brownback Staff		RRPI	Steve Moffitt	Meeting	4/21/2003 14:00
Sen. Burns Staff		RRPI	Steve Moffitt	Meeting	4/22/2003 10:00
Sen. Bunning Staff		RRPI	Steve Moffitt	Meeting	4/22/2003 11:00
Sen. Reid Staff		RRPI	Steve Moffitt	Meeting	4/22/2003 12:00
Staff	SGAC	RRPI	Steve Moffitt	Meeting	4/22/2003 13:30
Sen. Dodd Staff		RRPI	Steve Moffitt	Meeting	4/24/2003 13:30
Sen. Domenici Staff		RRPI	Steve Moffitt	Meeting	4/24/2003 14:00
Sen. Corzine Staff		RRPI	Steve Moffitt	Meeting	4/24/2003 15:00
Sen. DeWine Staff		RRPI	Steve Moffitt	Meeting	4/24/2003 15:30
Sen. Reed Staff		RRPI	Steve Moffitt	Meeting	4/25/2003 13:30
Sen. Feinstein Staff		RRPI	Steve Moffitt	Meeting	4/25/2003 14:00
Sen. Sarbanes Staff		RRPI	Steve Moffitt	Meeting	4/25/2003 14:30
Sen. Warner Staff		RRPI	Steve Moffitt	Meeting	4/25/2003 15:00
Sen. Fegold Staff		RRPI	Steve Moffitt	Meeting	4/28/2003 15:00
Sen. Mikulski Staff		RRPI	Steve Moffitt	Meeting	4/28/2003 14:00

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AUDIENCE	COMMITTEE	ISSUE	PRINCIPAL	ACTION	DATE/TIME
Sen. Bingaman Staff		RRPI	Steve Moffit	Meeting	4/28/2003 14:30
Sen. Johnson Staff		RRPI	Steve Moffit	Meeting	4/28/2003 15:00
Sen. Kohl Staff		RRPI	Steve Moffit	Meeting	4/28/2003 15:30
Sen. Grassley Staff		RRPI	Steve Moffit	Meeting	4/28/2003 16:00
Sen. Landrieu Staff		RRPI	Steve Moffit	Meeting	4/28/2003 16:30
Sen. Stabenow Staff		RRPI	Steve Moffit	Meeting	4/29/2003 13:00
Sen. Graham (FL) Staff		RRPI	Steve Moffit	Meeting	4/29/2003 13:30
Sen. Boxer Staff		RRPI	Steve Moffit	Meeting	4/29/2003 14:00
Sen. Thomas Staff		RRPI	Steve Moffit	Meeting	4/29/2003 14:30
Sen. Shelby Staff		RRPI	Steve Moffit	Meeting	4/29/2003 15:00
Sen. Coryn Staff		RRPI	Steve Moffit	Meeting	4/29/2003 15:00
Bill Greenwalt	SASC	RRPI	RADM Godwin	Meeting	4/30/2003 0:00
Bill Greenwalt	SASC	RRPI	RADM Godwin	Meeting	4/29/2003 1:00
Peter Levine	SASC Minority Counsel	RRPI	D.G. Uhler	Meeting	4/28/2003 3:00
Sen. Collins Staff		RRPI	D.G. Uhler	Meeting	4/28/2003 3:00
		RRPI	Steve Moffit	Meeting	4/30/2003 9:00

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MAY 1, 2003

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. Does the "Defense Transformation for the 21st Century Act of 2003" (the DOD Act) lessen the protections of veterans' preference in reductions in force (RIF)?

Mr. WALKER. Yes. The DOD Act provides significantly fewer statutory protections for veterans than they have under current federal RIF law.

Under 5 U.S.C. §3502(a) and OPM regulations, the factors to be considered for retention standing in the executive branch, in descending order, are (1) tenure of employment, (2) military preference, (3) length of service, and (4) efficiency or performance ratings. Hence veterans are second in order of importance after tenure group.

Under the DOD Act, the Secretary of Defense may, jointly with the Director of the Office of Personnel Management, prescribe regulations for Department of Defense (DOD) reductions in force. As to veterans, the Act only requires that the DOD regulations follow section 3501 (the basic definitions of "active service" and "retired member"), section 3502(b) (preference eligible with compensable service-connected disability of 30% or more and acceptable performance entitled to be retained in preference to other preference eligibles), and section 3504 (waiver of physical requirements for preference eligibles). By implication, the Act permits the waiver of all other RIF provisions in Title 5.

While nothing in the DOD Act prohibits DOD from following the Title 5 method of determining retention standing, it is not required to do so. Indeed, it is our understanding that DOD may adopt the RIF model set forth in the Science and Technology Reinvention Laboratory Personnel Management Demonstration Project (S&T Project), 68 Fed. Reg. 16120 (Apr. 2, 2003). These regulations reduce the importance of veterans' preference in two important ways.

First, the retention standing for employees in the S&T Project places veterans' preference as the last category of importance (except as set forth below), after tenure and performance, whereas it is ranked second after tenure in Title 5.

Second, in the Executive branch, 10-point 30% compensable veterans are at the top of the retention register regardless of performance. In the S&T Project, 10-point 30% compensable veterans are at the top of the list only if their performance score exceeds 50.

In sum, if DOD follows the RIF provisions of the Science and Technology Project, veterans will lose key RIF rights they currently have under federal law. In addition, length of service would not be given any consideration for any DOD employees, including veterans.

Mr. SKELTON. May the 108th Congress restrict the ability of a future Congress to limit how it may legislatively impose future domestic source restrictions?

Background: Over the years Congress has enacted numerous domestic source or content restrictions, often in annual defense department appropriation acts. Sec. 204 amends title 10 of the U.S. Code to enact a new section (10 U.S.C. 2539c) that authorizes the Secretary of Defense to waive the application of domestic source restrictions, with certain important exceptions, if he determines that a waiver serves security interests. The security interests specified would be easy to justify for many DOD procurements (such as "significant cost savings" or obtaining "the best equipment available") and the language does not limit the delegation of the authority. Thus we would anticipate that many domestic source restrictions would be waived.

Section 204 contains a provision (10 U.S.C. 2539c(d)) that may bind Congress in the future from imposing new domestic source or content restrictions that are not subject to the waiver authority of the Secretary of Defense. The pertinent part of section 204 reads as follows:

"(d) Construction With Respect To Later Enacted Laws.—This section may not be construed as being inapplicable to a domestic source requirement or domestic content requirement contained in a law enacted after the enactment of this section solely on the basis of the later enactment."

Mr. WALKER. We believe this section has the effect of limiting future congressional flexibility to enact new domestic source restrictions not subject to immediate DOD waiver authority. However, we doubt a court would give effect to this provision

should a later enacted statute clearly express Congress' desire to impose a domestic source restriction.

Recommendation: We recommend that if the 108th Congress decides to authorize the Secretary of Defense to waive certain domestic source requirements, and does not wish to limit the ability of future Congresses to exempt future requirements from the DOD waiver authority, that it strike the proposed subsection (d) of what would become 10 U.S.C. 2539c.

Alternatively, Congress could apply the waiver authority to all domestic source restrictions in force as of a date certain (such as the date of enactment) and, as the need arises, revise that date if it wishes to apply the waiver authority to new domestic source restrictions it has imposed.

Mr. SKELTON. The Department is proposing sweeping changes to the management of general and flag officers. Under this proposal, the promotion and retention of senior flag and general officers will depend on the benevolence of the Secretary. By allowing the Secretary such unconstrained and far-reaching control over the most senior officers, how do you propose to prevent the increased politicization of our officers?

Dr. CHU. Our proposal does not change how senior officers are selected for advancement. The selection of officers in grades O-9 and O-10 for assignment to positions of importance and responsibility is made based on recommendations from the Service Chiefs and Service Secretaries, with advice from the Chairman, as is the case today. Currently, the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and Service leadership work together in managing the assignment of general and flag officers, and that would continue.

Among the objectives of the proposed legislation is the authority to permit members of the Joint Chiefs of Staff to serve longer terms as determined by the President. Likewise, the current four-year term for the Chiefs of the Services and the two-year term for the Chairman and Vice Chairman of the Joint Chiefs of Staff remain exactly as they are today, along with the President's continued, complete, and sole discretion to remove an officer. The ability of the President to extend senior officers in position—or to remove them—reflects the embodiment of civilian control of the military.

Senior Leadership in the Department of Defense, in consultation with Congress recognized the need to transform our Armed Forces to meet the needs of the 21st Century. In that transformation process, we recognized the need for greater flexibility in managing job tenure and career length for general and flag officers, with a view toward longer time in a job and longer careers. The legislation that has been proposed contributes to those ends.

Mr. SKELTON. The law currently allows the President to waive up to 10 officers from the age limit. How many waivers is the Department currently using? Could you please provide the numbers by Service.

Dr. CHU. The Department is not currently employing waivers for age as permitted by title 10 United States Code, section 1251(b). In part, this is attributable to long-standing but increasingly indefensible separations based solely upon age, even when the affected officer and his leadership would prefer otherwise. The intent of our legislative proposals is to allow flexibility while ensuring that the Department has the tools available when and if it requires authority to make changes.

Mr. SKELTON. It is my understanding that the goal of the proposal is to be able to retain exceptional officers so that we do not lose their expertise and experience. How many general and flag officers does the Department expect to continue to age 68?

Dr. CHU. Modeling of this policy by RAND suggests that the average career length for those in grade O-9 would move from 34 to 36 years, with grade O-10 rising from roughly 35 to 40 years. So on average, under our proposals, the retirement age at grade O-9 and O-10 would increase by about two and five years respectively, to approximately ages 58 and age 62. However, a handful of officers with prior enlisted service or breaks in service, or later commissions—perhaps a half dozen each year, would retire in their mid-sixties.

Mr. SKELTON. I have seen recent press articles comment on additional officer management proposals being considered by the Department. Is the Department working on additional changes to officer management policy, particularly for our field and company officers?

Dr. CHU. Yes, but we have only recently begun that task. We must transform the personnel system to attract, develop and retain talented and quality people over the decades ahead. To those ends, the Department contracted with RAND and LMI in 1999 as part of a joint effort to review the entire officer management structure and identify the challenges that were presented by the current officer management system. Early in this Administration, the Department introduced and developed a new

DOD Human Resource Strategy that demands development and review of a series of changes, most of which question a one-size-fits-all approach to officer career planning.

The DOD Human Resource Strategy is the first integrated strategic plan regarding the management of human capital, and the studies supporting the strategy clearly support the mission and goals of the Department of Defense and our National Security Strategy. This new Human Resources Strategy holds true to the rock-solid premise that our people are central to mission accomplishment.

We are continuing the study of the military personnel management system by reviewing and analyzing the management of the career paths that lead to O-7. Currently, the study, being conducted by RAND, involves O-1 to O-6 career path modeling that will reflect required changes to officer management. This research will help us determine requirements, analyze gaps, and address compensation issues. We expect to have recommendations for enhancing O-1 thru O-7 officer management for consideration in the FY05 Legislative and Budgeting Process.

Mr. SKELTON. The Department spent months developing the transformation package. Could you tell me, when was the general officer provisions sent to the individual service personnel chiefs? What recommendations, issues, or concerns did they express? And, were these comments incorporated into the final product?

Dr. CHU. Senior Service general/flag officers were involved in the RAND study efforts in August and September 2002 through a series of interviews conducted by BAND, and their concerns were incorporated into the study effort that underpins the general/flag officer provisions.

The Chairman and Vice Chairman of the Joint Chiefs of Staff were briefed on the general and flag officer provisions on February 3, 2003. The Service Secretaries and Service Chiefs were briefed on the general and flag officer provisions during Feb 03 (Air Force: February 3, 2003; Army: February 7, 2003; Navy: February 12, 2003; Marine Corps: February 12, 2003).

The Assistant Secretaries of the Military Service Departments for Military Personnel and Reserve Affairs, and the Service Personnel Chiefs were briefed on March 7, 2003.

Specific feedback received from the briefings:

- We must be up-front with our colonels and general/flag officers so they understand the changes.
- Education of the force is on-going and a transition plan needs to be developed.
- How will we convince O-9s and O-10s to serve that long (8 years)?
- Preventing a slow-down or log-jam of general/flag officer promotions will be essential to the success of the plan.
- We do not want to publicly designate "using" and "developing" billets.

Issues raised by both groups were either answered or further explained, or their recommended changes were incorporated in the legislation.

Mr. SKELTON. I understand that RAND helped in analyzing the general officer provisions developed by the Department. I would like a copy of their analysis of the proposal and the results of any other studies that were conducted that led to the decision to adopt this proposal.

Dr. CHU. As I mentioned before, we have commissioned RAND to assist the Department in identifying key areas of the personnel management system than can be improved. Phase one of the BAND analysis focused on managing general and flag officers. Much of the legislation that is being presented was derived from their expert analysis and recommendations. In April 2003, RAND published an issue paper addressing the results of the first phase. I can make that report available to your office.

Mr. SKELTON. As a student of history, I worry that we are harkening back to a seniority system that could become as dysfunctional as the one that caused the enactment of the Officer Personnel Management Act of 1947. Our current system has performed well over time. The officers who just led our men and women in a stunning victory in Operation Iraqi Freedom and in Operations Desert Shield and Desert Storm before are just simply outstanding. They grew up and thrived in the "up and out system." What is broken about the present system?

Admiral CLARK. The present system is not broken; that said, it can be improved. There are some senior leaders whose talents, experience and expertise warrant extensions on active duty. The proposed Act provides flexibility to identify and extend exceptional leaders when appropriate.

Mr. SKELTON. What issue is so vital to the security of our nation that the extraordinary step of immediate passage of this legislation must occur?

Admiral CLARK. The events of 9/11 and the Global War on Terrorism prove the need for flexible and agile systems. In light of World events, it is critical that immediate action is taken in order to dovetail with the ongoing changes and transformation in multiple agencies and departments.

Mr. SKELTON. Is the possible retirement of several exceptional flag officers an event significant enough to create a crisis of such magnitude that we need an immediate change in the system?

Admiral CLARK. The "possible retirement of several exceptional flag officers" is not the driving force behind this proposal. An institutional, long-standing change is necessary to provide DOD with the flexibility to retain exceptional personnel now and in the future.

Mr. SKELTON. You indicated in the hearing that you have the ability to waive two officers from the age requirement. Are you currently using both of those waivers?

Admiral CLARK. Navy currently has no flag officers serving on age retirement waivers. My statement regarding waivers referred to time in grade (TIG) requirement. We are currently using two O-7 and two O-8 TIG waivers.

Mr. SKELTON. On what basis are you only allocated two of the total 10 [age requirement] waivers currently available to the President?

Admiral CLARK. Navy does not hold an allocation of POTUS age waivers. POTUS has the authority to waive 10 officers.

Mr. SKELTON. In the last 10 years, how often and how long have you had to use those waivers?

Admiral CLARK. Navy has needed to use the age requirement waiver once in ten years for one year. We have used the TIG waiver 32 times since 1994 (when we began tracking TIG waivers).

Mr. SKELTON. If this proposal is enacted, how many positions within the Navy are "developing" positions and how many are "using" positions?

Admiral CLARK. The number of "using" and "developing" positions Navy-wide has not yet been determined. The recently completed Congressionally mandated OSD Flag/General Officer Study has given each of the Services the requisite start for such analysis. However, historical precedence for leadership assignments causes many billets to fall clearly into one category or the other. As there is no exact script for any successful military career, regardless of Service, the process will remain one of capitalizing on existing strengths, shoring up assessed experience gaps and matching projected rotation dates.

Mr. SKELTON. Will all "using" positions be required to stay in their positions for a longer period of time?

Admiral CLARK. Not necessarily. There is currently no established average length of tour for "using" positions now, so to state that the required length of tour will increase may not be supportable. However, I expect that the data will, indeed, show an increase in average length, if assessed after implementation of this Act.

Mr. SKELTON. What will be the average increase in time that a person will serve in a "using" position?

Admiral CLARK. This Act will serve to allow the Services to increase the length of tour of incumbents in both "developing" and "using" tours. A notional goal would be tour length averages at or exceeding two years. Many will serve tours of three years or more.

Mr. SKELTON. How long does the Navy expect officers to stay in a "developing" position?

Admiral CLARK. This Act will serve to allow the Services to increase the length of tour of incumbents in both "developing" and "using" tours. A notional goal would be tour length averages at or exceeding two years. Many will serve tours of three years or more.

Mr. SKELTON. Under this proposal, the promotion and retention of senior flag officers will depend on the benevolence of the Secretary:

By allowing the Secretary such unconstrained and far-reaching control over our most senior naval officers, how do you propose to prevent the politicization of naval officers?

Admiral CLARK. The secretary will have the advice and counsel of the Chairman of the Joint Chiefs of Staff and the Service Chiefs and Secretaries. As a result, the Secretary's actions under these provisions will not be focused on "politicized" military officers. Instead, the focus will be upon making the best use of well-rounded, knowledgeable and experienced officers on active duty.

Mr. SKELTON. It is my understanding that one of the military tenets for a senior officer is to ensure that those who follow in their footsteps are as good, or better, an officer. This is to ensure that if an officer were to fall in battle another could assume command.

Do senior officers have an obligation and responsibility to ensure that those who follow have the requisite skills and knowledge to take their place?

Admiral CLARK. Yes.

Mr. SKELTON. If so, why would senior officers need to stay on until they are 68 or 72?

Admiral CLARK. The military tenet cited is only one aspect of the analysis. A senior officer has many different responsibilities. Among these is the need to possess the requisite skill and knowledge to perform a particular job. Another responsibility is to ensure that those who follow in their footsteps are as good, if not better than themselves. The Act addresses both of these goals. By allowing some of our best officers to remain on active duty, we will continue to build upon their level of experience and knowledge. Allowing these exceptional officers to remain will enrich and enhance the training and mentoring of the officers to follow.

Mr. SKELTON. In the last 10 years, how often and how long have you had to use those waivers?

Admiral CLARK. Once; for a period of about one year.

QUESTIONS SUBMITTED BY MR. SPRATT

Mr. SPRATT. Does the "sole, exclusive and unreviewable" authority granted to the Secretary of Defense take priority over the principle of fair employment practice ostensibly required by the Department's personnel proposals? If it does not, why is the authority granted to the Secretary deemed "unreviewable?"

Dr. CHU. The basic National Security Personnel system (NSPS) framework (section 9902) would not be established under the Secretary's "sole, exclusive, and unreviewable" discretion. Any human resources management system established under section 9902 would be required to comply with the merit systems principles in 5 U.S.C. § 2301 and the prohibitions in 5 U.S.C. § 2302 against commission of prohibited personnel practices. Employees of the Department would continue to be able to file complaints of alleged prohibited personnel practices (any of the prohibited personnel practices enumerated in 5 U.S.C. § 2302(b)) with the Office of Special Counsel. If the employee believed that the violation involved prohibited discrimination, he/she would continue to be able to file a complaint of discrimination under the procedures established by the EEOC (29 C.F.R. 1614). In addition, employees would retain the ability to file complaints with the Department of Defense Office of Inspector General, for matters within the Inspector's General purview.

Section 9902(e)(1)(C)(ii) does provide that the Secretary may, in his "sole and unreviewable discretion" "determine that further consultation and mediation is unlikely to produce agreement." However, the provision also provides for prompt notification to Congress.

Nothing in any of the proposals in section 101 of the Department's proposed Defense Transformation of the 21st Century Act of 2003 (which includes proposed sections 9901-9906) is intended to limit in any way the authority of the Department's congressional oversight committees to perform their constitutional oversight functions on behalf of the Congress.

Mr. SPRATT. What process is provided for a challenge to a decision of the Secretary, if a violation of one of the principles identified is alleged?

Dr. CHU. Employees of the Department would continue to be able to file complaints of alleged prohibited personnel practices enumerated in 5 U.S.C. § 2302(b) with the Office of Special Counsel for any violation of the system established under proposed section 9902. If an employee believed that the violation involved prohibited discrimination, he/she would continue to be able to file a complaint of discrimination under the procedures established by the EEOC (29 C.F.R. 1614). Allegations of fraud, waste or abuse (or reprisal against a whistleblower who disclosed fraud, waste or abuse) could be filed with the Office of Special Counsel, or with Office of the DOD Inspector General.

Mr. SPRATT. Section 9904: This section would authorize DOD to hire "highly qualified experts" for up to five years, with the possibility of a one year extension, and to set pay rates. Couldn't these "highly qualified experts" come on board at a salary much higher than a current civilian employee doing similar work? What steps will the Department take to prevent a morale problem?

Dr. CHU. The intent of the program is to provide the Department with a competitive mechanism to attract and hire individuals who would be the best qualified to fill very senior scientific, technical, engineering and other professional, and administrative-type positions. Section 9904 is based on the authority that is currently available under section 1101 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261; 112 Stat. 2139), as amended, to the De-

fense Advanced Research Projects Agency (DARPA) and the Military Departments to hire highly qualified scientists and engineers. Our experience with this provision has shown that it has not been used to hire individuals to perform work similar to the work performed by career civilian employees. At DARPA, for example, these experts serve as senior project leaders.

Currently, to ensure that the authority given to the Military Departments is used consistently with the intent of the program, the Officer of the Deputy Director Defense Research and Engineering and Deputy Under Secretary of Defense for Laboratories and Basic Sciences retains close oversight of the program. This oversight includes reviewing and approving each position before authorizing the Military Department to use this authority to make job offers or hire individuals.

We would anticipate continuing to use this authority in a similar manner, with control mechanisms like those currently in place.

Mr. SPRATT. Rep. Reyes expressed a concern as to whether the new proposal be fair to minority civilian employees. Mr. Chu's responsive was that Chapter 9902(b)(3) protects this from happening, and within 9902(b)(3) there is a reference to "affirmative action." But the Administration's "stance" on affirmative action includes support for a lawsuit to end it. So will Sec. 9902(b)(3) be nullified by the Supreme Court ruling in the Michigan case? What protections would then be available to minority civilian employees?

Dr. CHU. Section 9902(b)(3)(A) specifically prohibits waiver, modification, or otherwise affecting merit systems principles. Those principles that would apply to the DOD system would include:

- recruitment from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement determined solely on the basis of relative ability, knowledge, and skills, after fair and open competition which assure that all receive equal opportunity (5 U.S.C. § 2301(b)(1));
- fair treatment without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, handicapping condition, or other non-merit considerations, and with proper regard for privacy and constitutional rights (5 U.S.C. § 2301(b)(2)); and
- (iv) equal pay for work of equal value (5 U.S.C. § 2301(b)(3)).

In addition, 9902(b)(3)(B) specifically prohibits waiver, modification, or otherwise affecting any provision of 5 U.S.C. § 2302 related to prohibited personnel practices. The prohibited personnel practices that would apply to the DOD system would include prohibitions (in 5 U.S.C. § 2302(b)(1)) against any employee who has authority to take recommend or approve any personnel action discriminating for or against any employee or applicant for employment:

- on the basis of race, color, religion, sex, or national origin as prohibited under section 717 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-16);
- on the basis of age, as prohibited under sections 12 and 15 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 631, 633a); or
- on the basis of sex, as prohibited under section 6(d) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(d)).

Employees who believe that they have been the subject of a prohibited personnel practice or the violation of a merit system principle may file a complaint with the Office of Special Counsel, whose jurisdiction would not be affected by NSPS. Employees would also continue to have the right to file a complaint of discrimination under the EEO regulations established by the Equal Employment Opportunity Commission.

In addition 5 U.S.C. § 2302(d) would continue to apply. This section reiterates that nothing in section 2302 may be construed to extinguish or lessen any effort to achieve equal employment opportunity through affirmative action or any right or remedy available to any employee or applicant for employment in the civil service under -

- section 717 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-16), prohibiting discrimination on the basis of race, color, religion, sex, or national origin;
- sections 12 and 15 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 631, 633a), prohibiting discrimination on the basis of age;
- under section 6(d) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(d)), prohibiting discrimination on the basis of sex;
- section 501 of the Rehabilitation Act of 1973 (29 U.S.C. 791), prohibiting discrimination on the basis of handicapping condition; or

- the provisions of any law, rule, or regulation prohibiting discrimination on the basis of marital status or political affiliation.

Employees who believed that they were aggrieved by violations of these provisions could file a discrimination complaint under the EEOC's complaint procedures, which would remain unaffected by NSPS; and, in the case of alleged prohibited personnel practice, as noted above file a complaint with the Office of Special Counsel.

Mr. SPRATT. Secretary Aldridge described a problem faced by the Department earlier this calendar year, when a foreign supplier of a component for the Joint Direct Attack Munition (JDAM) stopped shipment of the component because of a policy decision to oppose military intervention in Iraq. Secretary Aldridge asserted to the Committee that in this case, the Department was able to "second source" the component to a U.S. firm, which would indicate that a domestic capability for the component existed.

Why was the domestic source not utilized in the first place?

Dr. CHU. The subcontractor producing the JDAM inertial measurement units (IMUs) had elected to procure this particular component from a foreign supplier on the basis of cost. The JDAM subcontractor is currently procuring the IMU subcomponent from both the domestic source and the foreign source, and there has been no delay in JDAM production.

Mr. SPRATT. What waiver authority, if any, was exercised to allow the foreign sourcing of the JDAM component?

Dr. CHU. JDAM is produced in the U.S. and since well over 50% of the components of JDAM (based on value) are produced in the U.S. or in a qualifying country, no waiver was required to acquire this JDAM subcomponent item from the foreign source.

Mr. SPRATT. If such authority already exists, what requires the expansion of waiver authority requested in the Department's transformation proposals?

Secretary ALDRIDGE. Although such authority is not required for the JDAM contract, the Department's transformational proposal for expanded waiver authority is critical. The transformation proposal applies to the domestic preference requirements for items and materials covered under other laws such as shipboard anchor and mooring chain (Public Law 107-248, Sec 8016), supercomputers (Public Law 107-248, Sec 8062), and chemical weapon antidote (10 U.S.C. 2534). The proposal seeks to establish a consistent set of waiver provisions for all of these requirements. We expect that this consistent authority will promote collaboration and interoperability with our allies and attract foreign and domestic non-traditional suppliers with valuable technologies that otherwise would be unavailable to U.S. Armed Forces.

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. Are you aware of a memorandum, dated March 7, 2003 from Deputy Secretary Wolfowitz to the Service Secretaries that reads, in part, "To date, the Department has worked to protect our military readiness activities without exercising the national security exemptions provisions available in many environmental statutes," as well as, "In the vast majority of cases, we have demonstrated that we are able both to comply with environmental requirements and to conduct necessary military training and testing"?

Secretary ALDRIDGE. Yes, I am aware of this memo. Many environmental groups have made the statement that virtually all of the environmental statutes have national security exemptions that allow the Department of Defense to request an exemption from the President. They further believe that the Department of Defense should explore the use of these options as the means to achieve the flexibility it needs to do training—as opposed to seeking legislative changes. The Department has been criticized for not having a policy procedure in place to consider the use of such exemptions.

This memo addresses that criticism by directing the military departments to develop procedures to follow to ensure that cases of concern are brought to the attention of the Department of Defense. It also provides guidance to the military departments on the type of documentation, including both readiness and environmental considerations that should accompany any exemption request.

Mr. ABERCROMBIE. Why has DOD chosen to not exercise available national security exemptions in current environmental law?

Secretary ALDRIDGE. In most environmental statutes, the President may apply national security exceptions only if it is in the "paramount interest" of the United States—the highest standard in our laws. A number of environmental statutes contain no wartime waivers at all.

The readiness activities we are concerned with are not "one-time" events, but part of the day-to-day training regimen for our forces and we believe it is bad public policy to ask for exemptions for something that needs to take place on a regular basis. Rather, we should resolve the underlying statutory issues so that routine training can proceed without recourse to emergency authorities.

Mr. ABERCROMBIE. What percentage of military readiness activities, across DOD, have been negatively affected by environmental law?

Secretary ALDRIDGE. While we are not able to quantify a percentage affected, DOD believes this is a significant and widespread problem. Recent quantitative analysis by the Marine Corps at Camp Pendleton, California has shown degradation in training opportunities there, due in large part to the existence of endangered species critical habitat restrictions along the beachfront where amphibious landings take place, in addition to other encroachment factors. This report, *Encroachment Impacts on Training and Readiness at Marine Corps Base Camp Pendleton*, March 2003, documents how various encroachment factors have reduced the base's ability to support key training activities. The report concludes that encroachments are having a measurable negative impact on field training at Camp Pendleton, and that realistic training is significantly degraded within prime maneuver corridors, training areas, and on the training beaches there. A Battalion Landing Team, a basic Marine fighting unit, could only complete 68% of its required tasks at Camp Pendleton in a notional four-phase tactical scenario analyzed as part of this effort.

DOD believes the Camp Pendleton study illustrates the negative impact of encroachment on our ranges, and that other services will be able to demonstrate similar effects. Each service is in the process of assessing how encroachments affect their ability to maintain ready forces, and DOD expects to provide Congress with a report on their findings in early 2004.

Mr. ABERCROMBIE. Please provide a list of the number and types of training evolutions—aside from the testing of Low Frequency Active Sonar—that have had to have been modified or cancelled in order to comply with the Marine Mammal Protection Act. Please also include the bases or ranges at which these exercises were conducted or were supposed to be conducted.

Secretary ALDRIDGE. The Department of the Navy is in the process of assessing how encroachment, including issues regarding compliance under the Marine Mammal Protection Act, affects their ability to maintain ready forces, and DOD expects to provide Congress with a report on their findings in early 2004. The following examples document some of the challenges necessary to comply with requirements under the Marine Mammal Protection Act.

- Explosives Emergency Removal
 - WWII UXO frequently washes up on Florida beaches or is uncovered by divers in the Hawaiian or other Pacific islands
 - Navy provides teams to remove and detonate explosives
 - No time to apply for a take authorization (4 months minimum to obtain)
 - Delays caused by need to clear area of marine mammals that could be harassed by noise from detonation
 - Homeowners in Vero Beach evacuated for several days while Navy worked out marine mammal and turtle issues with NMFS
- Littoral Warfare Advanced Development
 - During the last six years, over 78% of the research tests for the Littoral Warfare Advanced Development (LWAD) project, designed to test new technologies countering mines and detecting submarines in shallow water, have been delayed, scaled-back, or cancelled.
 - In one test the Navy was forced to expend \$800,000.00 for mitigation.
- Shallow water training ranges
 - Establishment of permanent at-sea shallow-water training ranges for both the East and West Coast have been delayed.
 - Anti-submarine warfare training for combat in the littorals, the Navy's most likely battlefield, has been scaled back.
- Anti-Submarine Warfare (ASW) training
 - Choke point transit exercises, designed to replicate transit of a battlegroup through constricted, shallow waters (such as the Straits of Hormuz) potentially occupied by hostile submarines, have been forced to relocate to deep waters, limiting their effectiveness.

- Extensive mitigation measures, including aerial surveys before and after exercises, are frequently imposed. Such surveys preclude night training evolutions
- SEAWOLF Shock Test
 - Test to measure effectiveness of vessel and its systems
 - Problem arose in trying to collect data for needed take authorization
 - Navy had to fly at 500 ft to see sea turtles but NMFS said anything less than 1000 ft required an MMPA permit because it could disturb marine mammals
 - In effect, Navy needed a permit to get a permit
- Pt. Mugu Sea Test Range
 - Missiles fired from San Nicolas Island may briefly startle seals and sea lions on beach. However, none have stampeded.
 - The potential of “harassment” required the Range to secure a MMPA permit.
 - While awaiting the permit three ships of the USS CARL VINSON battlegroup were unable to complete necessary anti-ship missile training evolution and deployed to the Arabian Gulf without the valuable training needed to protect the ships and the battlegroup
- Port Hueneme
 - Test involving effectiveness of advanced radar system, in which 7 times a month, a Lear jet flew at 1000 ft altitude towards coast and veered off.
 - NMFS suggested to Navy that activity required a take authorization because it might disturb marine mammals resting or feeding on the water surface
 - Cable Laying
 - Navy lays communications and other cables in oceans for national security reasons
 - NMFS prepared draft white paper that speculated that cable laying could result in marine mammal takes due to elevated noise levels, vessel traffic, and whales becoming entangled in cables
 - Entanglement unlikely, but need for permit for noise and vessel traffic could delay projects for many months

Mr. ABERCROMBIE. Please also provide a list of how many training or operational evolutions have had to have been modified or cancelled in order to comply with the Endangered Species Act, and at what installations these incidents occurred?

Secretary ALDRIDGE. As I previously stated, DOD believes the comprehensive study just completed at Camp Pendleton illustrates the negative impact of encroachment on our ranges, and that other services will be able to demonstrate similar effects. Each service is in the process of assessing how encroachments affect their ability to maintain ready forces, and DOD expects to provide Congress with a report on their findings in early 2004.

Mr. ABERCROMBIE. Has GAO been able to gather a comprehensive list of bases/ranges and types of training activities affected by the need to comply with the Endangered Species Act and the Marine Mammal Protection Act?

Mr. WALKER. We are responding to questions for the record from your May 1, 2003, hearing on “The Defense Transformation for the 21st Century Act.”¹ Congressmen Neil Abercrombie and Sylvestre Reyes submitted the questions. Our prior work in this area identified various examples to illustrate how compliance with the Endangered Species Act and the Marine Mammal Protection Act have affected military training on various military bases; however, we have not, nor has the Department of Defense (DOD), attempted to aggregate this information for all bases.² Nonetheless, on the basis of our observations and discussions with officials at installations and major commands we visited last year here in the United States, we obtained numerous examples where encroachment issues, such as those related to compliance with the Endangered Species Act and the Marine Mammal Protection Act, had affected some training range capabilities, requiring workarounds—or adjustments to

¹U.S. General Accounting Office, *Defense Transformation: DOD's Proposed Civilian Personnel System and Governmentwide Human Capital Reform*, GAO-03-741T (Washington, D.C.: May 1, 2003).

²U.S. General Accounting Office, *Military Training: DOD Lacks a Comprehensive Plan to Manage Encroachment on Training Ranges*, GAO 02-614 (Washington, D.C.: June 11, 2002) and *Military Training: DOD Approach to Managing Encroachment on Training Ranges Still Evolving*, GAO-03-621T (Washington, D.C.: Apr. 2, 2003).

training events—and, in some cases, limited training. For example, endangered species habitat considerations have limited off-road vehicle training at Fort Lewis, Washington, to preserve an endangered plant and at Yakima Training Center, Washington, to protect the western sage grouse habitat. In addition, prior to the beginning of live-fire exercises in the Atlantic, Navy aircraft and ships search the training area and then maintain a constant watch for marine mammals during exercises. If a mammal enters the training area, the exercise is suspended until it leaves.

Mr. ABERCROMBIE. Is there quantitative evidence to prove that military readiness has been degraded by the need to comply with the Endangered Species Act and the Marine Mammal Protection Act? If so, can you please provide these numbers?

Mr. MILLER. DOD has accumulated limited quantitative information to fully assess the magnitude of any impact of compliance with environmental statutes on military training. Our prior work found that, despite concerns voiced repeatedly by DOD officials about the effects of encroachment on training, DOD's readiness reports did not indicate the extent to which encroachment was adversely affecting training readiness and costs. This suggests inadequate efforts on the part of DOD to fully assess and report on the magnitude of the encroachment problem.

In the Bob Stump National Defense Authorization Act for Fiscal Year 2003, Congress required the Secretary of Defense to develop a comprehensive plan for using existing authorities available to the Secretary of Defense and the secretaries of the military departments to address training constraints on the use of military lands, marine areas, and airspace that are available in the United States and overseas for training. As part of the preparation of the plan, the Secretary of Defense was expected to conduct an assessment of current and future training range requirements of the armed forces and an evaluation of the adequacy of current DOD resources (including virtual and constructive training assets as well as military lands, marine areas, and airspace available in the United States and overseas) to meet those current and future training range requirements. The act also requires annual reports to Congress dealing with encroachment issues beginning this year and requires GAO to review those reports. The first of those reports was required to be submitted along with the President's budget for fiscal year 2004. That report was to describe the progress in developing a comprehensive plan to address training constraints. However, DOD has not completed a comprehensive plan or provided Congress with the progress report. Officials of the Office of the Secretary of Defense said that they plan to report to Congress later this calendar year. The act also requires the submission of a report not later than June 30, 2003, on the department's plans to improve its readiness reporting to reflect the readiness impact that training constraints have on specific units of the armed forces.

QUESTIONS SUBMITTED BY MR. REYES

Mr. REYES. Sweeping changes to the civil service for employees of the Department of Homeland Security were adopted last fall. These changes were highly controversial. They are just being implemented now, so we have not been able to assess their effectiveness. Does it make sense to move forward with even more significant changes when we cannot yet determine what the Homeland Security changes will produce?

Secretary WOLFOWITZ. There is a misconception that the personnel system that DHS is developing is going to look exactly like the personnel system that we are proposing to develop and those that have already been developed. A look at recent legislative history on the passage of human resources flexibilities will show that agencies that have been given flexibilities have developed systems that meet their individual agency needs, mission and culture. The way the Transportation Security Administration developed a hiring system for immediate hire of over 40,000 employees would not be the same system that DOD or any other agency with an established agency or mission would employ. We don't think anyone can argue that the development of personnel regulations should not include stakeholders. That is the requirement in DHS and the proposed NSPS.

Mr. REYES. The last time sweeping changes were made to DOD—through the Goldwater-Nichols Act—the Congress worked with the Pentagon for four years. There were multiple hearings and extensive debate on the changes before they were implemented. Goldwater-Nichols has made DOD a better organization. This new defense transformation legislation was delivered to us during a recess when DOD anticipated that we would begin marking up our defense authorization as soon as Congress reconvened, giving us no time to review the package, to consider, to debate . . . How can you justify pushing through this legislation in this manner?

Secretary WOLFOWITZ. The changes envisioned under the proposal for a National Security Personnel System and laid out in the Federal Register notice of April 2, 2003 are the culmination of over a decade of flexibilities and demonstration projects provided by the Congress for the Department of Defense that now covers some 30,000 personnel. Last year, the Administration submitted legislation for an alternative personnel system for the Department. While we are extremely grateful for all the changes to title 5 and title 10 that have allowed DOD to continue to test personnel flexibilities and push for excellence, what we have is a patchwork system of personnel system changes that now range from the 47 DOD specific changes in title 5 to the 74 DOD civilian specific references in title 10. We have been working with OPM and the unions to attempt to change the personnel system for well over ten years, this is not sudden and this is not an area where we have not known that we have problems. As we are transforming the entire Department, including military personnel, we must take this opportunity to similarly transform our civilian workforce.

Mr. REYES. The package submitted by DOD includes changes to the requirement for service chiefs. To be Commandant of the Marine Corps, you would need to be a Colonel or above. To be the Army or Air Force Chief of Staff, you need to be a one star or above. To be nominated as the Navy Chief of Naval Operations, however you would need to be at least two star. Can you please provide a valid explanation for this disparity.

General MYERS. The current legislative provisions for the grade requirements of the Service Chiefs was not changed or addressed in the Defense Transformation package. Sections 3033, 5033, 5043, and 8033 of title 10 establish the minimum grade requirements for appointment to Service Chief.

Mr. REYES. When you testified before the Government Reform Committee on March 29, you stated that the reason we need to rush to pass this drastic and overarching legislation is that "Secretary Rumsfeld is an impatient man." Sir, the reason that there is a Congress, a separation of powers, is so that the Executive Branch cannot act in an imperialistic manner like the monarchies from which we fled to form this new nation. We are a deliberative body that considers all sides of the issue. Sometimes it takes us years to get legislation passed—like Goldwater-Nichols—but the years of debate allow us to develop better policy.

The Department of Defense delivered this package to Congress a day before we adjourned for a two-week recess. You had to be aware that we were marking up the defense authorization in the week that we returned from break. How can you justify attempting to steam-roll this legislation through without providing proper time for deliberation by this body?

Dr. CHU. We appreciate and respect the deliberative responsibilities of the Congress and will endeavor to respond as fully as possible to requests for information. Delivery of the proposed legislation on April 10 to the Congress was preceded by several months of briefings and conversations with Members of Congress and Hill staff, and years of studies decrying the problems of the Civil Service, which led Congress to act earlier to put other federal agencies under a different construct.

Mr. REYES. At Tuesday's hearing, the Comptroller General of the General Accounting Office testified that he had "serious concerns" about the proposal and that the Pentagon needs to improve its management systems to show that safeguards would be in place to minimize the chance of abuse. He stated that, "Unfortunately, based on GAO's past work, most existing federal performance appraisal systems, including a vast majority of DOD's system, are not currently designed to support a meaningful performance-based pay system."

How can you make the changes that you are supporting, which would base pay and promotion on performance, when there is no system to determine performance?

Dr. CHU. The Department intends to phase in a new system of pay for performance system based upon the Best Practices study. A copy of that pay for performance system can be found in the April 2, 2003 Federal Register. We plan on extensive orientation and training of employees and supervisors and implementation according to mission requirements. A new system is not turned on overnight but requires careful implementation.

Mr. REYES. This legislation would affect more than 600,000 employees of the Department of Defense, but was prepared without consultation with the representatives of 200,000 of these employees. How do you justify creating legislation to affect this many employees without discussing it with those who represent the employees?

Dr. CHU. Under the terms of the proposed legislation, which are the same as that for the Homeland Security Department, we look forward to collaborating with employees and labor union officials on the proposal.

Mr. REYES. Your legislation would waive rules requiring that any reductions in force be based on tenure of employment, length of service, and efficiency or perform-

ance ratings. What procedures will be used to ensure that there is no gender, race, or ethnicity discrimination when the workforce is reduced?

Dr. CHU. The proposed legislative language retains existing civil service protections against such discrimination. Section 9902(b)(3) guarantees that we cannot "waive, modify, or otherwise affect . . . the public employment principles of merit and fitness set forth in section 2301, including the principles of hiring based on merit, fair treatment without regard to political affiliation or other non-merit considerations, equal pay for equal work, and protection of employees against reprisal for whistleblowing; (and) any provision of section 2302, relating to prohibited personnel practices." Section 2302(b) provides that it is unlawful to discriminate for or against any employee or applicant for employment on the basis of race, color, religion, sex, national origin, age, or handicapping condition.

Mr. REYES. There is a provision of your legislation that would allow DOD to hire "Highly Qualified Experts" for five years, with the possibility of a one-year extension. DOD already has the authority to hire scientists and engineers this way. What would this provision be used for?

Dr. CHU. As stated in the question, DOD already has authority to hire scientist and engineers. Expanding this authority beyond this narrow functional community will greatly expand the Department's ability to focus top talent on key mission areas and problem spots. The meaning of "highly qualified experts" is to provide the flexibility to bring into the work environment, for a limited duration, private sector or non-Federal public sector experts to positions that require expertise of an extremely high level in an administrative, technical, or professional field. The experts would be expected to have demonstrated in their field in a non-Federal environment how their participation in an organizational team brought about change, solved problems, added innovation, reduced costs, etc. These are typically people who command high salaries in the private sector.

Mr. REYES. You continually state that you need these new authorities for the national security of this country. Please provide valid reasons why this change would affect national security.

Dr. CHU. The Department is endeavoring to integrate more closely its total force of military, civilian, contract, and retired personnel. The defense mission increasingly requires a highly agile military force. In turn, the civilian support—from weapon systems acquisition to information system management—for that force must be agile. The current system of civilian personnel management is too rigid to ensure timely hiring, flexible placement, meaningful rewards, and streamlined separation.

Mr. REYES. In your testimony you refer to hiring the next generation of employees. But one of the main reasons that you are not getting the best and the brightest now is that the federal government has been in downsizing mode for the past decade and a half. Why would college students want to join the government when they might be downsized or contracted out shortly after they start working?

Dr. CHU. We believe that college students would eagerly join an organization that is agile, flexible, and performance-based.

Mr. REYES. In an April 10 report, DOD states that the "Defense Transformation for the 21st Century Act" is based on DOD's "Civilian Human Resources Strategic Plan." However, the General Accounting Office recently determined that this plan is inadequate. Specifically, the GAO found that:

The human capital strategic plans GAO reviewed for the most part lacked key elements found in fully developed plans. Most of the civilian human capital goals, objectives, and initiatives were not explicitly aligned with the overarching missions of the organizations. Consequently, DOD and the components cannot be sure that strategic goals are properly focused on missions achievement. Also, none of the plans contained results-oriented performance measures to assess the impact of their civilian human capital initiatives (*i.e.*, programs, policies, and processes). Thus, DOD and the components cannot gauge the extent to which their human capital initiatives contribute to achieving their organizations' mission. Finally, the plans did not contain data on the skills and competencies needed to successfully accomplish future missions; therefore, DOD and the components risk not being able to put the right people, in the right place, and at the right time, which can result in diminished accomplishments of the overall defense mission . . . Moreover, the civilian strategic plans did not address how the civilian workforce will be integrated with their military counterparts or sourcing initiatives.

How can you justify pushing for this transformation initiative when the plan it is predicated on has been called into serious question?

Dr. CHU. We disagree with the assessment of the General Accounting Office (GAO) on this matter. We believe that our goals, objectives, and initiatives are clearly linked with organizational objectives. Contrary to GAO's assertion, they do include results-oriented performance measures that allow us to gauge progress.

Mr. REYES. The transformation legislation would authorize the Secretary of Defense to promulgate regulations to create a human resources management system for DOD, essentially unilaterally. DOD is asking for this unprecedented authority without providing any specific information to Congress about what that system might be or how it would function. What specific information can you provide about the nature of the human resources management system DOD proposes?

Dr. CHU. The Department has indeed provided specific information to the Congress and the public through briefings and through a Federal Register notice of April 2, 2003 on the specific system of civilian personnel management that we would establish in the Department. A copy of that Federal Register notice is enclosed.

Mr. REYES. The proposed legislation would do away with the General Schedule and Federal Wage System, and instead give broad discretion to supervisors to determine how much employees will earn. What procedures will be used to ensure that discrimination and favoritism do not affect an employee's pay?

Dr. CHU. In fact, the legislation does not automatically do away with anything. It provides authority and a legislated process for ensuring a full airing of any proposed changes. That includes labor unions and the Congress. We are basing our changes on longstanding demonstration projects in whose establishment the unions have already participated. Discrimination and favoritism remain a violation of merit system principles and constitute a prohibited practice.

Mr. REYES. Under current law, federal employees who are subject to dismissal, demotion, or suspension have due process and appeal rights. The proposed legislation allows DOD to waive these rights. What safeguards would there be to protect an employee who was being disciplined unjustifiably in this situation? How can we be assured that they will be implemented?

Dr. CHU. The waiver provisions of section 9902 that provide for waiver of Chapters 75 and 77 are modeled after the Homeland Security Act.

The Department intends to follow the model established in the Best Practice Federal Register notice of April 2, 2003, which provides an integrated system to attract and reward good performers and to address poor performance. As stated in the Federal Register notice, Chapter 75 is not waived, but it is adapted "(1) to replace 'grade' with 'pay band level,' (2) to provide that reductions in pay band level not accompanied by a reduction in pay are not covered by Chapter 75, subchapter II, (3) to ensure that adverse action provisions do not apply (a) to conversions from GS special rates to demonstration project pay or from other demonstration project pay to this demonstration project pay, as long as total pay is not reduced, and (b) to supervisory pay when an employee moves to a lower level supervisory position or to a nonsupervisory position, and (4) to otherwise accommodate demonstration project best practices features." In addition, there is recent case law that asserts that Chapter 75 provides an independent right for employees who have competed more than one year in a competitive service position to appeal adverse actions to the Merit Systems Protection Board, even if they are in positions that require a two or three year probationary period. The Department's experience in assessing the performance of new employees in a number of technical and professional occupations (such as, for example, scientists and engineers) shows that, in many cases, a one-year probationary period is insufficient to make such an assessment. This experience has been validated in the Department's demonstrations projects. Allowing DOD to adapt Chapter 75 to recognize these expanded probationary periods is necessary to enable the Department properly evaluate new employees before they are converted to career status.

The Department also anticipates maintaining an independent review of each action subject to review under Chapter 77. In addition, as provided for in section 9902, the Department will consult with the Merit Systems Protection Board before issuing regulations. Such regulations would adapt Chapter 77 only insofar as such modifications would be designed to further the fair, efficient, and expeditious resolution of matters involving the employees of the Department of Defense.

Mr. REYES. Please discuss in greater detail the legal prohibition you mentioned which prevents a federal manager from identifying a high-performing employee and paying for additional training for that employee. Does the problem also result from regulations, either government-wide or Department-wide? If the problem is regulatory, has the Department attempted to amend the regulation. If not, why not? If the problem is solely statutory, please provide statutory language to correct the problem.

Dr. CHU. Like other government agencies the Department must have affirmative authority to expend funds to train employees or individuals it is trying to recruit. The Department needs the flexibility to develop and tailor its training and education programs to meet changing workforce needs, which can range from recruiting

new talent to retraining current employees in new skills. The current law (Chapter 41) is insufficient.

For example, changes in authority to pay for degree training (5 U.S.C. § 4107) enacted as part of the Homeland Security Act eliminated the Department's authority to waive the requirement that the institution providing the training be accredited when standards for accrediting did not exist or use of standards would not be appropriate.

The current law also does not provide sufficient broad-based flexibility to enable the Department to use degree training (that is, paying for college or graduate school, or paying down college debt), coupled with flexible hiring authorities of the type proposed by NSPS (including waivers of portions of Chapters 31 and 33), to recruit and retain top quality students. The Department does have such scholarship and developmental program authority with respect to the acquisition workforce (see 10 U.S.C. § 1744 and § 1724(e)). The Department, like other agencies, also has limited authority to repay college debt (5 U.S.C. § 5379). Under NSPS, DOD would have authority to increase the annual and total amounts it could repay in appropriate cases to attract and retain highly qualified personnel.

In addition, at one time the Department had authority to train workers displaced as a result of major organizational changes in new skills that would make them competitive for jobs in the private sector. This authority has not been permanently authorized.

Mr. REYES. Would the plan the Department intends to implement eliminate the annual pay raise passed by Congress for DOD civilians? What about locality pay adjustments? What about step increases or within-grade increases?

Dr. CHU. The proposed plan would place the annual pay adjustment and projected step increases in a performance pool that would be distributed on the basis of performance. The locality pay adjustment is not a performance adjustment but a geographic market-based adjustment and would not be part of the performance pool.

Mr. REYES. Under the proposed changes, would the Department waive the Federal Wage System which governs pay for blue collar workers? Would the blue and white collar systems be merged?

Dr. CHU. The blue collar pay system is under review. We would waive the chapter dealing with the Federal Wage Systems in order to ensure that we are able to develop and maintain a blue collar compensation system that is reflective of the prevailing rates paid to similar workers in the geographic locations where the work is found, but also with enough flexibility to allow management to use the pay system for a multi-skilled workforce that may be required to perform more than one specialty.

Mr. REYES. How much more funding in real dollars and in percentage terms was provided to each DOD demonstration project for salaries than would have been provided for salaries if there had been no demonstration project? Would the Department request more funding for salaries to implement a pay-for-performance system than they would normally request under current statutory pay systems? If not, why not? If the Department does not receive additional funding for salaries, how many employees, in percentage terms and real numbers, would you anticipate would see a reduction in their pay raise from what they would have received if this legislation were not passed?

Dr. CHU. The demonstration projects did not get additional funds. While there would be additional expenditures for training employees on the new system, we do not intend to ask for additional funds for implementing and maintaining a Department-wide system. Experience with demonstration projects has indicated that they can establish a more flexible system largely within the constraints of the budget. The question as to how many employees would receive less under a new system compared to the present system assumes, incorrectly, that the current system represents the appropriate benchmark against which to measure a new system of pay for performance. The current system of virtually automatic pay adjustments should not be considered a benchmark for a true pay for performance system, since it cannot be justly characterized as a pay for performance system. Under a pay for performance system, no one should receive less than what he or she is due for his or her level of performance.

Mr. REYES. Would the pay-for-performance system establish an independent third-party adjudication system if an employee received a lower pay raise than he believed he deserved? If an employee received a lower pay raise and he believed that the cause was racial discrimination, what would be his avenue of appeal, if any?

Dr. CHU. The Best Practices proposal provides for a higher level Rating Review Board to oversee the system and to respond to concerns about its administration. The avenue for appeals of racial discrimination remain unchanged from the present.

Mr. REYES. The Department asks for language to bypass local union bargaining and elevate some issues to the national level. Why does the language explicitly prevent third-party independent review of both negotiability disputes as well as impasses that occur as a result of bargaining? In other words, why does the language eliminate the authority of the Federal Labor Relations Authority and the Federal Services Bypasses Panel to resolve disputes?

Dr. CHU. The waiver of Chapter 71 is the same as that provided to the Department of Homeland Security, except that the Department is specifically proposing a system that would allow for national level bargaining. We envision using this authority to establish a system in which discussions and bargaining occur on an ongoing basis as issues that affect working conditions arise. As mandated by section 9902, this system would be established in collaboration with employee representatives at the national recognition level. Such a system is not authorized under current law. For the system proposed under NSPS would enable the Department to bargain at the national level regarding Department-level policies and regulations that effect employee working conditions. Currently, the Department has approximately 1400 bargaining units, each of which has the right to bargain to impasse on the impact of DOD policies affecting working conditions. Completing bargaining with almost 1400 bargaining units (including where necessary resolving impasses before the Federal Services Impasses Panel) can take years (as evidenced by the Department's inability to fully implement congressionally mandated actions related to the Government travel and purchase card programs). During this time, the affected DOD policy or regulation cannot be implemented at that location.

Mr. REYES. The Department claims it wants to maintain collective bargaining rights for employees in DOD. If that is true, why is it necessary to waive Chapter 71?

Dr. CHU. The Department would be unable to implement a new system of personnel management without the opportunity to bargain at the national level, given the nearly 1,400 local bargaining units in DOD. The waiver of Chapter 71 is the same as that provided to the Department of Homeland Security.

Mr. REYES. What explicitly are the changes Department expects to make if Chapters 43, 55 and 57 are waived?

Dr. CHU.

Chapter 41, United States Code (5 USC 41) - Training

PURPOSE: To simplify the requirements to:

- Obtain training and development facilities;
- Pay for training expenses;
- Pay employees overtime while they are in training; and
- Plan future contingencies.

DEFINITION: Training and development activities should be:

- Presented in facilities where it is most appropriate for the mission and in consideration of the costs.
- Available to expand an individual's knowledge, skills and abilities for specific occupational series, or at management's discretion, and prepare for academic degree completion.
- Accessible to employees, providing agencies that latitude to acquire equipment as necessary for training and development.
- Provide for the forward thinking as payment of overtime while in training.
- Development of career programs similar to the functional requirements
 - Authority: 5 USC 4103 Training
 - Current policy and effect:
 - Provide for development of training to achieve agency mission and goals.
 - Effect: Professional development, education and training is limited to current workforce, without the latitude to offer scholarships and scholastic training to meet qualifications for positions.

Desired change: Provide latitude to mirror the Defense Acquisition Improvement Workforce Act. DOD functional leadership to implement parallel programs, e.g., Comptroller for the DOD financial management community. Each functional are proponent would have the latitude to design and implement a career program structure to mature professionals through structured training, education and development programs.

- Use of government facilities.

- Authority: 5 USC 4104

- Current policy and effect:

- Requires the use of Government facilities for training of employee.
- Effect: Government facilities may not provide the best environment conducive to training and development.

Desired change: The latitude would be provided to select facilities for training and development based on the mission/objective of the training, and respective of costs rather than going to Government facilities first just because they are government owned and operated.

- Expense of training.

- Authority: 5 USC 4107

- Current policy and effect:

- Professional Military Education (PME) participant at the Army and Air Force War Colleges may obtain graduate degrees, however, neither college is regionally accredited at this time.
- Effect: Requires that when the government pays for training that results in a degree, that the institution must be accredited by a national or regional accrediting body.

Desired change: The requirement for the institution attended by the student be accredited would be review to support DOD schools that are not accredited.

- Expansion of training for specific occupational needs:

- Authority: 5 USC 4109

- Current policy and effect:

- Limits the payment of overtime during training to air traffic controllers in the Federal Aviation Administration and the Department of Defense and firefighters in any agency.
- Effect: Limits the ability to pay overtime, or other appropriate pay, when training and development occurs outside the normal duty day.

Desired change: Expand the concept in this section of Title 5 to pay specialized training regardless of the occupation based the Department's needs.

- To development a long-range training and development strategy.

- Authority: 5 USC 41

- Current policy and effect:

- Department of Defense initiated legislation, now captured in the Homeland Security Act, to change the parameter for the payment of academic degrees, and expenses to obtain licenses and credentials.
- Effect: Limits the agency's ability to pay for training and development to meet a forecasted requirement.

Desired change: The law must be flexible, rather than reactive. The future effect of information systems, and the Internet, are partially known quantities, however, we must have legislation now that is flexible and provides agencies latitude to meet future, unknown, environments for training and development. Agencies should have the latitude to manage within their budgets to develop approaches to sustain the current workforce and prepare for future incumbencies.

Chapter 55, United States Code (5 USC 55) - Pay Administration

PURPOSE: To simplify payment of premium pays within the Department by establishing a position specific premium adjustment that is calculated as a percentage of the employee's basic pay. The overall impact would be streamlined, easily understood compensation practices, increased management flexibility, reduced administrative burden and cost, and simplified records systems.

DEFINITION: Premium pays are pays an employee receives for working longer hours or under less desirable conditions. Overtime pay, Sunday pay, night pay, hazardous duty pay, and holiday pay are some of the more common types of premium pays.

- Overtime

- Authority: 5 USC 5542

- Current policy and effect:

- Establishes an overtime payment for work performed in excess of the basic workweek.

- Limits payment to the hourly rate of GS-10, Step 1 for most employees.
- Provides for exceptions:
 - Department of Transportation Interior Forest Service—Overtime pay equal to 1 and ½ times hourly rate in certain circumstances.
 - Law Enforcement—Overtime in excess of two hours per day up to GS 10/1 limit and employee's hourly rate thereafter.
 - Firefighters—Overtime paid based on firefighter hourly rate.
- Effect: Various overtime provisions create onerous administrative burden.

Desired change: Establish premium pay adjustments determined as a percentage of basic pay and provide management the authority to pay employees a position specific annual adjustment as compensation for working in a position with regularly recurring overtime requirements.

- **Compensatory time off**
 - Authority: 5 USC 5543
 - Current policy and effect:
 - Allows agencies to (1) grant time off from duties rather than pay premium pay at the employee's request or, for higher paid employees, (2) require use of time off rather than pay.
 - Effect: Inconsistently applied; administratively burdensome.

Desired change: Delink compensatory time off from consideration as payment subject to annual overtime cap and use exclusively for irregular and occasional overtime. (This would apply to employees who are occasionally required to work extra hours.)

- **Night pay, standby, irregular, and hazardous duty differential**
 - Authority: 5 USC 5545
 - Current policy and effect:
 - Entitles regularly scheduled GS employees to night pay for hours worked between 6 p.m. and 6 a.m.
 - Allows agencies to establish tours of duty to include standby time with a predetermined percentage of basic pay as additional compensation.
 - Allows agencies to use a predetermined percentage of basic pay as additional compensation for administratively uncontrollable overtime.
 - Provides method of compensation for employee whose job involves unusual physical hardship (hazardous duty).
 - Effect: Increases administrative burden and costs.

Desired change: Eliminate the individual premium pays and consider each of the conditions establishing this premium pay as a factor in determining the premium rate range percentage for an employee's position (e.g., place a percentage value on regularly scheduled hours between 6 p.m. and 6 a.m.).

- **Availability pay for criminal investigators**
 - Authority: 5 USC 5545a
 - Current policy and effect:
 - Law enforcement availability pay is a percentage of the employee's basic pay designed to compensate employees for being available for duty.
 - Law enforcement availability pay and standby administratively uncontrollable overtime are mutually exclusive but other premiums may be paid, e.g., Sunday pay.
 - Effect: Simplifies premium pay process once the initial eligibility determinations are complete. Establishes a model that should be considered for other types of premium pay.

Desired change: Modify availability pay for criminal investigators only to the extent that there is no requirement to pay additional premium pays, e.g., Sunday pay or holiday pay.

- **Pay for Sunday and holiday work**
 - Authority: 5 USC 5546
 - Current policy and effect:
 - Entitles employees who regularly work on Sundays to a 25 percent increase in basic pay for the hours assigned on Sunday.

- Entitles employees who work on holidays to premium pay equal to hourly rate of basic pay.
- Effect: Increases complexity of premium pay administration.

Desired change: Eliminate Sunday pay and consider Sunday pay as a factor in determining the premium rate range percentage for an employee's position. Establish use of compensatory time off for irregular or occasional holiday work.

- Differential for certain employees of the Federal Aviation Administration and the Department of Defense
 - Authority: 5 USC 5546a
 - Current policy and effect:
 - Allows agencies to establish a premium of 5 percent of basic pay for certain air traffic controllers.
 - Effect: Increases complexity of premium pay administration.
- Desired change: Establish an air traffic controller premium as a factor in setting a percentage of the position specific premium pay.
- Limitation on premium pay
 - Authority: 5 USC 5547
 - Current policy and effect:
 - Establishes a biweekly and annual earnings limitation that allows GS employees to earn premium pay only to the extent that basic pay, plus premium pay, does not exceed the maximum rate for GS-15 or level V of the Executive Schedule.
 - Effect: Causes employee dissatisfaction when workload fluctuations result in employees reaching the cap in some pay periods when the biweekly cap has not been lifted. Maintaining the record systems to control payments is administratively burdensome and costly. Cap is linked to General Schedule and becomes more artificial under NSPS.
 - Desired change: Eliminate the annual pay cap on premium pay. If a premium pay adjustment is established that allows supervisors to determine an appropriate percentage—in lieu of the premium pays that are regular and recurring—and if irregular work is compensated through time off, there will be no need for a biweekly or an annual earnings limitation.

Chapter 59, United States Code (5 USC 59)—Allowances

PURPOSE: To simplify and standardize civilian allowances and differentials by delegating regulatory authority to the Secretary of Defense. The Secretary then could align allowance rates for similarly situated military and civilian employees and offer the necessary allowances and differentials to meet mission requirements. The overall impact would be increased Department flexibility, streamlined administrative procedures, reduced costs, and simplified records systems.

- Quarters allowances
 - Authority: 5 USC 5923
 - Current policy and effect:
 - Living quarters allowance (LQA) reimburses a permanently assigned employee for substantially all costs for rented quarters in overseas areas when Government-owned quarters are not available.
 - Temporary quarters subsistence allowance (TQSA) reimburses a permanently reassigned employee for substantially all costs for temporary quarters after the employee first arrives at a foreign duty station.
 - Effect: These allowances serve as recruitment and retention incentives for positions in foreign areas.

Desired change: Once the Secretary of Defense obtains the authority to set allowances, the quarters allowance could be modified to meet Department needs (e.g., use of a flat rate for LQA and TQSA or establishment of alternative eligibility requirements).

- Post differentials
 - Authority: 5 USC 5925
 - Current policy and effect: Post differential pays an employee a percentage of basic pay for assignment to a foreign post with environmental conditions substantially different from conditions of environment in the United States.

Desired change: Post differential could be incorporated into the premium pay range discussed above under 5 USC 5542, 5545, and 5546.

- **Danger pay allowance**
Authority: 5 USC 5928
Current policy and effect:

- Danger pay as a percentage of basic pay, up to 25 percent, may be granted to employees serving in a foreign area on the basis of civil insurrection, civil war, terrorism, or wartime conditions which threaten physical harm.
- Under circumstances defined by the Secretary of State, a monthly danger pay allowance may be paid to civilian employees who accompany military forces designated by the Secretary of Defense as eligible for imminent danger pay; the monthly danger pay allowance is not paid to employees eligible for danger pay authorized as a percentage of basic pay.
- Effect: These allowances pay employees for work in danger areas, but the existence of two separate danger pays is an administrative burden.

Desired change: Under his delegated authority, the Secretary should eliminate the monthly danger pay allowance for civilians and establish pay for all danger pay areas as a percentage of basic pay.

- Allowances based on living costs and conditions of environment; employees stationed outside continental United States or in Alaska

- Authority: 5 USC 5941

Current policy and effect: These allowances are paid to employees stationed outside the continental United States or in Alaska whose rates of basic pay are fixed by statute. The allowances are paid for:

- Living costs substantially higher than the District of Columbia (nonforeign COLA);
- Conditions of environment that differ substantially from conditions of environment in the continental United States (nonforeign post differential).
- Effect: These allowances serve as a recruitment and retention incentive, but are paid even to employees who would otherwise live and work in these areas.

Desired change. Eliminate the cost-of-living allowance and establish a cost-of-labor allowance (using methodology comparable to that used to determine locality pay) in its place. Eliminate post differential as a distinct payment and use an adverse environment factor for setting a percentage of the position specific premium pay adjustment. This change would simplify and align compensation practices for civilians in the affected nonforeign areas, especially Alaska and Hawaii, with compensation practices for the contiguous United States.

Mr. REYES. If DOD expects to restrict, eliminate, or otherwise change due process and/or appeal rights, how can equal employment opportunity, merit-based hiring, whistle blower protection, and protections from political coercion be maintained? Please provide some examples of how each of these items would be dealt with by this administration.

Dr. CHU. Section 9902(b)(3)(B) of the Department's proposed legislation specifically prohibits the Department and OPM, when developing the Department's human resources management system from waiving, modifying, or otherwise affecting any provision of 5 U.S.C. § 2302 related to prohibited personal practices. The prohibited personnel practices that would apply to the DOD system would include prohibitions (in 5 U.S.C. § 2302(b)(1)) against any employee who has authority to take recommend or approve any personnel action discriminating for or against any employee or applicant for employment:

- on the basis of race, color, religion, sex, or national origin as prohibited under section 717 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-16);
- on the basis of age, as prohibited under sections 12 and 15 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 631, 633a); or
- on the basis of sex, as prohibited under section 6(d) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(d)).

There are also prohibitions against:

- coercing the political activity of any person (including the providing of any political contribution or service), or taking any action against any employee or applicant for employment as a reprisal for the refusal of any person to engage in such political activity; and
- taking or failing to take, or threatening to take or fail to take, a personnel action with respect to any employee or applicant for employment because of any disclosure of information by an employee or applicant which the employee or applicant reasonably believes evidences: (i) a violation of any law, rule, or regulation, or (ii) gross mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, if such disclosure is not specifically prohibited by law and if such information is not specifically required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs.

Employees who believe that they have been the subject of a prohibited personnel practice or the violation of a merit system principle in any personnel action taken under the system developed pursuant to section 9902 may file a complaint with the office of Special Counsel, whose jurisdiction would not be affected by NSPS. Employees would also continue to have the right to file a complaint of discrimination under the EEO regulations established by the Equal Employment Opportunity Commission.

Mr. REYES. Your 30,000 demonstration employees constitute less than 4 percent of civilian workforce at DOD. How many occupations are included in the demonstrations? How many occupations currently exist in the DOD civilian workforce?

Dr. CHU. There are 225 separate occupational series (includes secretary, law enforcement, personnel specialist and scientist positions) represented across DOD demonstration projects. There are 720 occupations that currently exist in the Department's workforce.

Mr. REYES. Please use data for the period from 1990-2000 to answer the following:

- What has been the difference in real wage growth between those in the demonstrations for those in bands equivalent to GS-13 and above, as compared to those in bands equivalent to grades 2 through 7, and grades 9-11?
- What is the difference in the real wage growth experienced by women in the demonstration projects and GS workers who were not in the demos?
- What is the difference in the real wage growth experienced by women and men in the demonstration projects?
- What is the difference in the real wage growth experienced by African Americans in the demonstrations as compared to GS wage growth generally?
- What is the difference in the real wage growth experienced by African Americans, Whites, and Hispanics within the demonstrations?
- What is the difference in real wage growth for those in demonstrations in bands equivalent to GS-5 and below and real wage growth in the GS?
- What is the difference in real wage growth for those in demonstrations in bands equivalent to GS-7 through GS-9 and real wage growth in the GS?

Dr. CHU. With the exception of information on the China Lake demonstration project, it is almost impossible to answer the questions in a meaningful manner. The China Lake demonstration project's pay bands were tracked over a decade. The result was a 2 to 3 percent increase in average salary when compared to the government standard pay system. Further comparison is virtually impossible for the following reasons:

- Demonstration projects have implementation dates from early 1997 through late 2001, this renders any attempt to make valid comparisons of project pay levels regarding real wage growth from 1990 to 2000 meaningless;
- There are nine separate demonstration projects within the Department of Defense and each project has a different pay banding architecture using various General Schedule grade level combinations. As a result, collection and comparisons across demonstration projects is extremely difficult, if not impossible. Likewise, because of the absence of uniformity, race and national origin (RNO) and gender-based comparisons will not promote valid analysis. The standard pay banding structure envisioned by the Best Practices initiative will provide comparable data while enabling flexible and agile pay and personnel transactions; and
- Only a few of the pay band levels in the existing demonstration projects match the specific levels of comparison requested (i.e., grades 2 through 7, 9 through 11).

General Schedule wage growth may be measured using aggregate methodology. This is traditionally measured using two methods. A simple comparison of the step 4 General Schedule rates for 1989 with the rates adjusted by year 2000 average locality pay shows a 47.5 percent increase in pay over that period. When comparing the average permanent employee in September 1989 to September 2000, there is a 60 percent increase in salary. (Note: the average GS employee grade increased during this period from 8.7 to 9.6).

Mr. REYES. What hiring system will you use your authority to design that goes beyond the new government-wide authorities that were given to DHS?

Dr. CHU. The Department will be using two noncompetitive hiring authorities that would allow us to hire employees for an immediate need or specific project or program but not for an extended time period. We will use on-the-spot hire of college graduates with a grade point average of 3.0 for any two-grade interval position. Additionally, the authority to use on-the-spot hiring for hard to fill positions will be determined at the local level, unlike the government-wide proposal which requires the agency to go to OPM for approval on a position by position basis.

Mr. REYES. You say it takes you three months to make a firm offer.

- a. How much of this is due to hiring laws and regulations?
- b. How much of this is due to downsizing and contracting out of human resources functions in DOD?
- c. How many human resources positions were downsized in DOD in the last decade?
- d. What data do you use to compare actual hires between initial interview and firm offers of employment with you say DOD cannot compete with large private sector employees like General Electric?
- e. What is General Electric's average time between initial interview and firm offer of employment?

Dr. CHU.

- a. The competitive examining process used to fill civil service positions with candidates applying from outside the Federal workforce is a highly structured and regulated process. This process is outdated, layered, time consuming, and heavily resource dependent. The numerous steps and approximate time involved in accomplishing these processes are outlined in the table below:

Step	Process-Statutory Requirement	Time
1	Submit SF-52, Request for Personnel Action, to Human Resources Office	
2	Classify position description (5 USC Chapter 51)	5-30 days
3	Develop criteria for evaluating applicants using job analysis to identify knowledge, skills and abilities (KSAs) required (29 CFR 1607)	1-30 days
4	Clear all priority placement programs (concomitant to recruitment process)	
5	Develop job opportunity announcement (JOA) (% USC 3327 and 3330)	1-10 days
6	Post notice to the public (job opportunity announcement (JOA)) days minimum of 5 business days with additional time to accept applications that are postmarked on or before the closing date (5 USC 3327 and 3330)	1-5 days
7	Rate applicants against minimum qualifications (OPM Operating Manual for Qualifications Standards for GS positions)	1-30 days
8	Assess the relative KSAs of eligibles against job-related criteria (29 CFR 1607)	1-30 days

Step	Process-Statutory Requirement	Time
9	Rank eligibles, giving veteran preference entitlements (5 USC 3309 and 3313)	1-3 days
10	Refer the ranked list to the selecting official for appointment consideration (5 USC 3318)	1 day
11	Interview and selection (after selecting officials receives list containing highest 3 candidates only) (5 USC 3318)	30-90 days
12	Re-issue certificates to replace candidates no longer available (5 USC 3318)	30-90 days
13	Review the results of the selection process for conformance with laws and regulations (Delegated Examination Handbook)	3-5 days
	Post selection processing	
14	Tentative Offer	1-5 days
15	Suitability and security requirements (5 USC 7532)	Up to 1 year or more
16	Drug testing (Executive Order 12564)	14-21 days

Given the range of time requirements, the standard recruitment process would range from 42 to 229 calendar days before an initial selecting official decision is made (see step 11). The recent Office of Personnel Management publication of the Summative Evaluation 2002, DOD S&T Reinvention Laboratory Demonstration Program indicates that the length of time it takes to make a firm offer is directly attributable to the statutory and regulatory requirements listed above. While the evaluation acknowledges that interventions in staffing have been limited by mandated downsizing and hiring freezes, when the rules are relaxed as they have been in demonstration projects, results are promising and positive. One particular case in point, the MRMC Lab demonstration project reported a 120-day plus hiring time when the project began in 1995. MRMC's latest report in 2001, showed a dramatic decrease in hiring timeliness to an average of 55 days.

b. Downsizing and contracting out of human resources functions in DOD is less a factor in length of time to fill a position than is the application of the numerous, outdated hiring laws and regulations listed above. There has been minimal contracting out of the human resources function in DOD. Downsizing has taken a greater toll on the human resources available to conduct HR functions. Indeed, through process reengineering, streamlining and the use of the Department's automated HR transaction processing system, some Components have reported decreases in overall recruitment times as compared to the timeframes estimated above and previous experience. In February 2003, the Department of the Army reported that competitive fill actions are taking 79.5 days versus 85 days for such actions during 2002. The Department of the Navy reported that external fill actions were taking up to 105 days and internal actions were taking 69 days. The Defense Logistics Agency reported fill times of 80 days for all transactions. (This is the basis for our determination of average fill time of approximately 90 days.) Both Army and Navy indicated that external recruitment actions significantly increased fill times, these are the personnel actions that will be enhanced by examining and appointment authorities contained in the Department's Best Practices initiative. As a corollary benefit, the assignment freedom inherent to pay banding will significantly reduce the numbers and kinds of personnel transactions required. This will likewise reduce overall personnel specialist workload in the Department.

c. In September 1989 there were 13,656 employees in the Personnel Management (Major Occupation Groups and Functional Occupation Group), and in September 2002 there were 9,117 in Personnel Management (DOD IG Project # D2001LF-0142.001). This is a 34 percent reduction in professional HR staff.

d. DOD Components track timeliness of fills as a key metric in strategic planning. We will initiate a data call to obtain this information from each DOD Component and agency to compile the requested information. The data collection will take approximately 60 days.

e. We have made contact with General Electric and are awaiting a response from their corporate Human Resources Department regarding recruitment timeliness.

Mr. REYES. Do you have data comparing those hired under special authorities (on-the-spot) direct hiring versus regular competitive service in terms of numbers, grades, subsequent performance ratings, race, gender, veterans status, and educational attainment? If so, please describe these differences. How many minorities are hired "on the spot"? How many women are hired "on the spot"? How many direct hires pass probation? How many hired through competitive service survive probation?

Dr. CHU. Existing DOD demonstration projects do not contain on-the-spot hiring authority. This authority is proposed under DOD's Best Practices initiative to be used when there is a severe shortage of candidates; the position is unique and/or has special qualifications; the position has a historically high turnover rate; the occupation is covered by a special salary rate; or when there is an exceptional hiring need. As a result, there is no basis for comparison.

Mr. REYES. Current rules require that reductions-in-force (RIFs) be conducted in a way that gives weight to both performance factors and seniority, as well as employment status (e.g., part time, full time, temp, etc.). The legislation proposes to wave these rules and allow Secretaries of Defense to write new ones. What rules would you propose for RIFs to be conducted under this Secretary of Defense? What factors would you use that you cannot use under existing laws? Will you accept a requirement to announce in advance the factors that would be used in deciding which jobs or which individuals would lose their jobs in RIF? Why or why not?

Dr. CHU. Reduction in force rules that the Department would use under NSPS are spelled in the April 2, Best Practice publication in the Federal Register. Preference eligibles will be in different tenure groups than nonpreference eligibles. The system will look at performance and preference eligibility and will look at service computation date only as a tie breaker. Once the rules for reduction in force are developed, they will be published in the civilian personnel manual for all employees and managers to see.

Mr. REYES. Why do Secretaries of Defense need authority to issue the rules for deciding which positions and individuals would lose their jobs under a RIF without first publishing the plan in the Federal Register and allowing the public to comment?

Dr. CHU. The Department has traditionally published its implementing plans for civilian personnel management through chapters of a Civilian Personnel Manual that are thoroughly coordinated within the Department but are not submitted to the Federal Register.

Mr. REYES. What avenues of appeal would those affected by a RIF conducted under new rules written by the Secretary of Defense have under this legislation? What guarantee would workers have that these appeals agreed rights would be protected given a Secretary of Defense's authorities to waive, change, or repeal them?

Dr. CHU. This answer requires research and will be provided at a later time.

Mr. REYES. What percentage of DOD civil service employees are minorities? Please give the overall percentage, and also break down that number by Army, Navy, Air Force, Marines, and each of the other DOD agencies, and by specific racial group.

Dr. CHU. Answer requires research and will be provided at a later time.

Mr. REYES. Why should the Defense Department abandon the standard of cost for deciding the winner of public-private competitions?

Secretary ALDRIDGE. The Department has no intention of abandoning cost as a basisdominant criteria for determining the outcome of a public-private competition. The Department is seeking the same flexibility afforded other Federal agencies under the Federal Acquisition Regulation. As services become an increasingly significant element of what the Department buys, we must ensure that we acquire these services effectively and efficiently. It is time that the Department be allowed to use the same techniques in public-private and private-private competitions. The expected outcome of any acquisition (including services) should be to choose a source that provides the greatest overall benefit, cost and other factors considered—this is a best value source selection. Best value is not designed to simply raise service levels at increased costs to the Government, and often does not result in an increased cost to the government.

Mr. REYES. Please cite at least ten examples of situations where the current A-76 best value process which explicitly takes into account both quality and cost fac-

tors-made it impossible for DOD to acquire the quality it needed at a price it could afford.

Secretary ALDRIDGE. The "A-76 best value" process requires modifying the government offer (MEO) when a private sector offer is selected that proposes performance standards different from those in the solicitation. Following this modification (called cost technical tradeoff) the source selection decision is based on cost alone.

Out of 487 cost comparison decisions, the Department performed 85 cost comparisons that used the cost technical tradeoff source selection process. Without a comprehensive study of procurement sensitive proposals submitted in these 85 cost comparisons, the Department cannot determine which resulted in the source selection authority accepting proposals that offered higher performance standards than stated in the solicitation. And such a study would fail to identify the more prevalent problem that distrust of the process causes eligible private sector proposers to make bids emulating current procedures at lowest cost, or to avoid competing at all.

The proposed revision to OMB Circular A-76 provides the ability for the government proposer to exceed solicitation performance standards like the private sector proposers are currently allowed to do. However without statutory relief from 10 USC 2462 the Department must still make decisions based on cost alone. This discourages innovation on the part of both public and private sectors and may preclude performance that provides the best value for the taxpayer.

Mr. REYES. The legislation declares an intention to implement the new A-76. Would the Department be willing to submit to the following restrictions on "best value" public-private competitions based upon the Federal Acquisition Regulation that would:

- Require disclosure of all factors and sub-factors that will be used in the evaluation of proposals in the solicitation? Why or why not?
- Require disclosure of the absolute weight of all factors and sub-factors in the solicitation? Why or why not?
- Require that cost factors be at least 75 percent of the weight in any source selection decision? Why or why not?
- Require that a specific cost be assigned to the use of any qualitative factors? Why or why not?
- Require disclosure of the "price premium" associated with consideration of any additional features or factors that an offer proposes to provide to DOD in best value process? Why or why not?
- Accept a finite list of factors and sub-factors that are allowable under a best value public-private competition process? Why or why not?

Secretary ALDRIDGE. The Department does not support additional restrictions or legislation that would impede the Department's flexibility to implement the proposed OMB Circular A-76. OMB's proposed Circular is consistent with the Federal Acquisition Regulation (FAR) and the recommendations of the Commercial Activities Panel Report to Congress. The Department fully supports the efforts of OMB in making public-private competitions more like those under the FAR, and desires the same flexibility that OMB has afforded to other Federal agencies. It is time that the Department be allowed to use the same techniques in public-private and private-private competitions. Specific responses to each of the bullets above follow:

- The FAR already requires that Section M (Evaluation Factors for Award) of solicitations disclose the factors and sub-factors that will be used to evaluate private sector proposals. Furthermore the proposed OMB Circular A-76 would require that the government's proposal also be submitted in accordance with the requirements of Section L (Instructions, Conditions, and Notices to Offerors or Respondents) and Section M (Evaluation Factors for Award).
- The Department does not support establishing specific weights for factors and sub-factors because such a requirement is inconsistent with the FAR and the Department's common practice in private-private competitions. The Department has a long-standing practice of assigning relative importance to the evaluation factors that are identified in Section M of the solicitation. The "absolute weight" of evaluation factors is less significant than the importance of one factor in relation to another factor. This requirement would unreasonably increase the complexity of public-private competitions.
- The Department does not support establishing a specific weight for cost because such a requirement is inconsistent with the FAR.
- The Department does not support a requirement to assign a specific, subjective cost to qualitative factors, because such a requirement is not required

under the FAR. Furthermore, this requirement would limit DOD's flexibility to use relative evaluation factors and would introduce the development of a subjective cost, adding to the complexity of public-private competitions.

- The Department supports such disclosures, provided that the Department would not be obliged to make any disclosure until the source-selection process was complete, and that the Department would be obliged to disclose only the differences in cost between a successful private offeror and the agency tender, thus protecting the competitive proprietary cost as we do in FAR based competitions.
- The Department does not support establishing a finite list of factors and sub-factors because the requirement is inconsistent with the FAR and restricts flexibility, afforded to other agencies. Furthermore, a finite list of factors and sub-factors would not take into account the relative importance and complex nature of the requirements, locations, and missions involved in the Department's procurements.

Mr. REYES. Do you believe that DOD is going too far, too fast?

Mr. WALKER. We believe that many of the basic principles underlying DOD's civilian human capital proposals have merit and deserve serious consideration.³ However, given the massive size of DOD and the nature and scope of the changes that are being considered, DOD's proposal also has important precedent-setting implications for federal human capital management in general, and the Office of Personnel Management (OPM), in particular. As a result, the National Security Personnel System (NSPS) should be considered in that context. Several critical questions are raised by the department's proposal, including should DOD and/or other agencies be granted broad-based exemptions from existing law, and if so, on what basis; and whether they have the institutional infrastructure in place to make effective use of the new authorities.

In our view, it would be more prudent and appropriate for Congress to address certain authorities that DOD is seeking on a governmentwide basis and in a manner that assures that appropriate performance management systems and safeguards are in place before the new authorities are actually implemented (or operationalized) in any respective agency. This approach would accelerate needed human capital reform throughout the government in a manner that assures reasonable consistency on key principles within the overall civilian workforce. It also would provide agencies with reasonable flexibility while incorporating key safeguards to help maximize the chances of success and minimize the chances of abuse. It would also serve to prevent further fragmentation within the civil service system.

We believe that agencies should have the institutional infrastructure to make effective use of new authorities. This includes, at a minimum, a human capital planning process that integrates the agency's human capital policies, strategies, and programs with its program goals and mission and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure the fair, effective, and nondiscriminatory implementation of a new system.

Mr. REYES. In your written testimony to the Government Reform Committee you state, "Quite frankly, in the absence of the right institutional infrastructure, granting additional human capital authorities will provide little advantage and could actually end up doing damage if the new flexibilities are not implemented properly." In your opinion, does DOD have the right infrastructure?

Mr. WALKER. Based on our experience, while the DOD leadership has the intent and the ability to implement the needed infrastructure, it does not have the needed infrastructure in place across most of DOD at the present time. Our work has shown that while progress is being made, additional efforts are needed by DOD to integrate its human capital planning process with the department's program goals and mission. In addition, the practices that have been shown to be critical to the effective use of flexibilities provide a validated roadmap for DOD and Congress to consider.

Mr. REYES. Do you believe that DOD has provided the sufficient safeguards in its proposal to ensure the fair, merit-based, transparent, and accountable implementation of its proposed changes to the civil service system?

³ U.S. General Accounting Office, *Defense Transformation: DOD's Proposed Civilian Personnel System and Governmentwide Human Capital Reform*, GAO-03-741T (Washington, D.C.: May 1, 2003) and *Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms* (Washington, D.C.: April 29, 2003)

Mr. WALKER. In our view, Congress should consider establishing additional safeguards to ensure the fair, merit-based, transparent, and accountable implementation of NSPS. As we were asked at the hearing, we have provided suggestions for possible safeguards for Congress to consider to help ensure that DOD's NSPS is designed and implemented in a manner that maximizes the chance of success and minimizes the possibility for abuse. A copy of that correspondence, dated May 6, 2003, will be provided to Congressman Reyes.

For additional information on our work on human capital issues at DOD, please contact me on 512-5500 or Derek Stewart, Director, Defense Capabilities and Management, on 512-5559 or at stewartd@gao.gov or J. Christopher Mihm, Director, Strategic Issues, on governmentwide human capital issues at 512-6806 or at mihmj@gao.gov.

Mr. REYES. Are you opposing this legislation because you are concerned about the pay system DOD intends to implement?

Mr. HARNAGE. Although DOD has said it plans to implement a system based on the so-called "Best Practices" from the lab demos that they published in the Federal Register, there is nothing in the legislation that would bind them to that. And of course, each new Secretary of Defense could unilaterally change the pay system without input from either affected employees, unions, or the Congress. Nevertheless, we do have strong concerns about the individual-by-individual pay for performance scheme they call best practices. Probation terms are 3 years, and Congressionally-passed annual pay adjustments and step increases would be a thing of the past. Their plan opens the door to corruption, discrimination against minorities and those whose political beliefs and affiliations are out of favor, and sexual harassment. Pay will no longer be based on job duties, but on one's personal relationship to the boss. AFGE opposes such a pay system.

Mr. REYES. Do you have any concerns about whether pay raises would be distributed by supervisors on the basis of favoritism?

Mr. HARNAGE. That is our primary concern, and there is no reason to believe that favoritism would not become a primary determinant of both initial base salary and subsequent pay adjustments. DOD's own data show that confidence in the accuracy of performance evaluations has declined for both whites and minorities in the pay for performance lab demos. Today, less than half of minorities think their pay for performance evaluations are accurate and only 59% of whites think so. Meanwhile a third of minorities in the demos think the evaluations are wrong, and a quarter of whites in the demos think their evaluations are wrong.

Mr. REYES. What about discrimination? Is that a concern with regard to the concept of individual pay for performance?

Mr. HARNAGE. We think that discrimination is inevitable with individual pay for performance. Even if there is no intention to discriminate, human nature will make supervisors more willing to be indulgent with their favorites and less indulgent with those who are not "like them." Discretion invites corruption, and since the system DOD wants takes away any authority for an outside 3rd party to keep the system honest, there is no reason to expect an honest system. Congressional oversight helps keep a system honest, but DOD wants to do away with that. Collective bargaining keeps a system honest, but DOD wants authority to do away with that. Public comment and notice of regulations keeps a system honest, but DOD wants authority to do away with that.

Mr. REYES. DOD seems to say that they fully intend to maintain collective bargaining rights for the employees. Yet my impression from reading the bill is that DOD would be able to waive chap. 71 of title 5, which establishes collective bargaining rights. In addition, the Department seems to want to "elevate" some issues from local bargaining to national level bargaining. Yet their language would eliminate 3rd party review of issues that were subjected to national bargaining. Would that be a problem?

Mr. HARNAGE. If they can waive chap. 71 at the Secretary's sole and unreviewable discretion, then collective bargaining rights have not been maintained. There may be times when the union would agree to "elevate" bargaining to the national level, but the legislation makes that a matter for the Secretary of Defense to decide unilaterally. Eliminating 3rd party review makes the collective bargaining process a sham.

Mr. REYES. I know many civilian employees of DOD and they work hard for the military personnel and hard for the taxpayers. Do you feel that civilian DOD employees have made a significant contribution to the victory in Iraq?

Mr. HARNAGE. DOD's civilian employees do work hard for the military and are a tremendous bargain for the taxpayer. That's why we win more than 60% of public-private competitions when those competitions are decided on the bases of objective factors like cost—which is what's best for taxpayers. Our DOD civilian workers

made and continue to make a tremendous contribution to the success of our combat troops—they serve in a multitude of support and maintenance activities and do so with dedication, skill, and an enormous measure of pride and patriotism. They cannot believe that the Pentagon wants to “reward” this contribution with a pay and personnel system that will mean lower pay, less job security, and punishing new work rules.

Mr. REYES. The civil service system exists, in my view, to prevent patronage based on which political party is in power at any given moment. Would the Department's ability to waive due process and appeal rights for civilian employees who are disciplined cause you any concern about a possible return to a patronage system?

Mr. HARNAGE. AFGE is highly concerned about “waiving” all the progress that has been made in the last century and going back to the 19th century spoils system of government. They may call their system a modernization, but there's nothing modern about giving one individual sole and exclusive power to hire and fire and pay and promote whomever he wants. It's an old idea and it's a bad one. They say they plan to adhere to the merit system principles, yet later in their legislation they say the Secretary of Defense will decide whether anyone will be able to hold him to it by going to the Merit System Protection Board (MSPB). Even if he allows any role for the MSPB, all he will do with them is “consult”—they won't have any enforcement powers unless the Secretary decides to allow them. It is, like collective bargaining, a total sham of a process.

QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. With what specific provisions in the Defense Transformation Act do you disagree? Why?

General MYERS. The proposed Act is a very comprehensive piece of legislation, which I support. Having said that, I do have a concern with the provision on more flexible computation of retired pay for general and flag officers. While I agree with the principle of enhanced retirement benefits offered in section 122 of the Act, I do believe the benefits should apply to all military members who serve more than 30 years.

QUESTIONS SUBMITTED BY MS. TAUSCHER

Ms. TAUSCHER. The Defense Transformation for the 21st Century Act would allow the Secretary of Defense to jointly prescribe regulations with the Director of the Office of Personnel (OPM) to establish a flexible and modern human resources management system for the Department of Defense. This joint issuance of regulations is similar to the one called for in the Homeland Security Act of 2002 between the Secretary of Homeland Security and the Director of OPM in developing a human resources management system. However, unlike the legislation creating the Homeland Security Department, this proposal would allow the Secretary of Defense to waive the requirement for joint issuance of regulations if, in his or her judgment, it is “essential to the national security”. National security is not defined in this proposal. What is the rationale for excluding OPM in this case and how is that in the national security interest?

Secretary WOLFOWITZ and General MYERS. As stated in the section by section analysis accompanying the NSPS proposal, the Secretary of Defense needs the flexibility to create a civilian human resources management system that can enable incorporation of DOD civilian employees into the Department's integrated force of active duty military personnel, civilian employees, and DOD contractors. DOD's civilian workforce, while critically important, is a support force. It supports the military forces in accomplishing DOD's national security mission. Civilian human resources management systems that work well for civilian agencies may not work in DOD for this reason.

Section 9902 mandates that the regulations established to implement the DOD human resources management system be developed joint with the Director of the Office of Personnel Management (OPM). We see OPM as a strategic partner that brings to the table an Executive Branch-wide perspective and expertise in addressing civilian personnel issues. We expect OPM to provide valuable insights to assist DOD in developing its civilian human resources management system. However, OPM has no expertise in DOD's mission or how best to create a system that will enable the Secretary to put the right people (military, civilian, or contractors) in the right place, at the right time to meet the nation's national security needs. Therefore, the Secretary must have the final say, subject to the direction of the President, on

all aspects of the Department's new civilian human resources system. This is the purpose of the national security waiver.

Ms. TAUSCHER. This proposal would increase the current total allowable annual compensation limit for senior executives up to the Vice President's total annual compensation. It does not include a process whereby OPM and OMB certify that DOD has performance appraisal systems that make meaningful distinctions based on relative performance before increasing the annual compensation limit for senior executives. Why not?

Secretary WOLFOWITZ and General MYERS. We have no problem with establishing parameters that would indicate what an agency should have in place with regard to a performance system, as a basis for reviewing its implementation. This is the way we manage our Voluntary Separation Incentive Pay (VSIP) authority for workforce restructuring and it has been very effective.

Ms. TAUSCHER. The proposal would authorize the Secretary to appoint U.S. citizens who are at least 55 years of age to excepted service positions for a period of 2 years, with a possible 2 year extension. This will have budget implications, but we have not yet seen a related cost estimate. Could you provide one?

Secretary WOLFOWITZ and General MYERS. There are no additional budget requirements for this provision. The employee would be receiving pay and retirement, but those expenditures would occur anyway.

QUESTIONS SUBMITTED BY MR. COOPER

Mr. COOPER. How will allowing Armed Service Chiefs to serve more than one four-year term change the power balance between the Chairman of the Joint Chiefs, the Office of the Secretary of Defense, and the Armed Services?

General MYERS. I don't believe it will change the balance of power. However, eliminating the existing restrictions on the length of service would increase the flexibility of the President in managing the most senior levels of the officer corps, support the overall DOD goal of permitting officers to serve longer tours and tenure, and thus allowing for better continuity as well as enabling Service Chiefs to see more of their initiatives come to fruition.

Mr. COOPER. The DOD proposal could lead to many senior officers serving for longer periods. How will an older General Officer corps impact defense transformation?

Dr. CHU and General MYERS. Since the Nation's founding, the officer corps has evolved through series of changes and improvements. It now is time to embrace certain changes in light of the direction the force is now moving—one that is smaller, more joint and more reliant on technology. Naturally, this demands not only depth, but breadth as well. The proposed legislation allows for both.

Many general and flag officers at grades O7 and O8 will achieve greater depth by remaining in assignments for longer periods—perhaps four years. Others will develop breadth by moving through a series of two-year tours on their way to the top two grades; but upon reaching the grades of O9 and O10, they would remain in their job for three or four years so that they may execute the transformation plans they envision, design, and put in motion during the initial years of those longer tours. Organizations will be better off as an increased number of senior leaders set and follow through on organizational goals bringing stability to our senior level commands. These complementary imperatives of developing depth and breadth are essential as the Department moves toward the future.

The pool of senior leaders competing for positions of the highest responsibility will be more carefully and deliberately assigned, and one size decidedly will not fit all. Importantly, senior officers who are educated and trained in highly technical skills (e.g., acquisition officers, foreign area officers, engineering officers, or nuclear propulsion officers) will not be forced to leave the service because of limited requirements at a higher grade and/or mandatory retirement restrictions. More flexible personnel management choices will allow better matching of people to positions.

Mr. COOPER. How will shifting from a single four-year term to unlimited two year terms impact the power of the Chairman of the Joint Chiefs to provide independent military advice to the President?

General MYERS. Currently, the position of the Chairman is a two-year renewable term up to a total of six years. The Defense Transformation package removes the term limitations. The provision would allow the President to appoint the Chairman for additional two-year terms as he determines necessary. As such, I don't believe there will be any impact on my power to provide independent advice to the President.

Mr. COOPER. How will changing to renewable two-year terms for the Chairman of the Joint Chiefs change the relationship between the Chairman and the Secretary of Defense?

General MYERS. Currently, the position of the Chairman is a two-year renewable term up to a total of six years. Eliminating the term limits should not change the relationship between the Chairman and the Secretary.

Mr. COOPER. What are the long-term implications for the general and flag officer population of the proposal to increase maximum age limits to 72? Will the overall age of the senior officer population increase?

Dr. CHU and General MYERS. Our analysis reveals that the critical variable is time in the job. As we increase the time our most senior officers spend in the key positions they occupy, career length will increase as a result and for these officers their age at retirement will rise; however, the change will be incremental and would depend strongly on a senior officer's willingness to remain longer—something we hope for and are providing for, but also something that depends strongly on voluntary choices of the most senior managers. This is why the retirement adjustments—not only in age, but also retirement benefits—are so important. We cannot achieve one without the other. Finally, if an officer is not meeting expectations, the officer would be released from service without regard to age.

Mr. COOPER. What analysis has been conducted to understand the impact (in terms of promotion opportunities, command opportunities, retention, and military education opportunities) on younger officers (O-5 to O-8) of keeping senior officers in service for longer periods?

Dr. CHU and General MYERS. RAND's National Defense Research Institute was commissioned by the Department of Defense to assess promotion, assignment and tenure issues within general and flag officer management. This research project established the baseline assessment of what general and flag officer careers currently look like, analyzed possible changes to the current management system, and assessed whether such changes might change or resolve the identified concerns. The research approach included a review of the literature to understand how private sector organizations manage their senior executives, analysis of promotion patterns and management of general and flag officers from 1990 to 2002. The analysis modeled and assessed different management paradigms and the resulting policies and practices. Interviews were conducted with senior military officers to capture not only their insights, but also their likely behavioral responses to a changed system. We examined 13 specific scenarios during our review. Some proved to be feasible for the reasons you suggested in your question. We selected an option that ensured good promotion opportunity, sufficient pools of candidates from which to select our senior leaders, and permitted optimal time in the job. Those data suggested very positive responses to the changes we are proposing to the current General Officer Management System. Additionally, analysis of the services' line communities indicates that an equal or greater number of officers will have the opportunity to be promoted from O-6 to general or flag rank. Although the most senior officers serve significantly longer, the new management paradigm would not clog or restrict the flow and promotion of less senior officers.

Mr. COOPER. What are the differences between the senior officer management system proposed in the legislation and the pre-World War II system of managing general and flag officers?

Dr. CHU and General MYERS. The present framework is more oriented toward rapid movement across jobs to develop breadth, failing to note that many duties—particularly those with a stronger technical orientation—will benefit from greater stability.

In transforming the DOD Human Resource System, we are moving away from the "one-size-fits-all" approach that characterizes present job rotations. These new initiatives complement the Department's transformation plans. To highlight the improvements supported by these proposed legislative initiatives:

- **Equal pay for Service Chiefs of Staff and Combatant Commanders.** Ironically, when a Service Chief assumes duties as a Combatant Commander, as when General Jones moved from Commandant of the Marine Corps to Supreme Allied Commander in Europe, statutes actually require a reduction in pay. This provision established equal pay for Service Chiefs and Combatant Commanders in light of the comparably high levels trust and responsibility associated with both positions.
- **Terms of service and extension authority for selected general and flag officer positions.** Two-year terms would remain for the Chairman of the Joint Chiefs of Staff, along with four-year terms for the Chiefs of the Services; however, the President could extend those terms. Additionally, for

the Chiefs of the various Medical branches, Chaplains Corps, and Judge Advocate General, term limitations would be eliminated in favor of terms suited to the position and incumbent. These changes increase the flexibility of the President, the Secretary of Defense, and the Secretary of the Military Departments to respond to rapidly changing situations. Eliminating the tenures currently in statute will facilitate officers serving longer. Since all officers serve at the pleasure of the President, these provisions have no effect on reducing tenure. Incumbents are not at risk because of these provisions.

- **Streamline procedures for reassignment of three and four star general and flag officers.** The Defense proposal would allow the President to reassign certain three- and four-star general and flag officers to positions of importance and responsibility at the same grade without Senate (re) confirmation. This improves the speed, efficiency, and responsiveness of the assignment process. (Note: assignment to positions established in law, such as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chiefs of the Military Services, Chief of the National Guard Bureau, Reserve Chiefs and Guard Directors, and Military Department-specific Chiefs of Branches or Bureaus, would continue to require the advice and consent of the Senate.)
- **Elimination of the current grade distribution limitations for brigadier generals and rear admirals (lower half).** Present law requires that 50 percent of general and flag officers serve in the grade of O-7, and 15-16 percent to serve in the grades of O-9 and O-10. The remaining 34-35 percent of general and flag officers must serve at grade O-8. Removing the restriction on the number of officers serving at grade O-7 would allow the allocation between grades O-7 and O-8 to fluctuate and would provide greater flexibility in the management and utilization of senior officers. This would not result in an increase in the number of generals or admirals on active duty.
- **Amendment of current age restrictions.** New legislative change would permit general and flag officers to serve until age 68, and would permit the Secretary of Defense to defer the retirement of a general or flag officer to the first day of the month following the month in which the officer reaches age 72. We would repeal the years of service requirement for Reserve and National Guard general and flag officers, as well as term of office requirements currently established in law. (Note: this legislative proposal does not affect the retirement age restrictions for commissioned officers serving in grades below brigadier general or rear admiral).
- **Changes to mandatory retirement procedures.** Our proposed legislative changes would eliminate the mandatory retirement of active duty general and flag officers after they complete 30 years of service. This provision prevents potentially conflicting legislation when taken in concert with other sections; i.e., extending the age limits for service. If allowed to serve to age 68 (or 72 with Secretary of Defense approval), a general or flag officer often would require more than 30 years of service.
- **Change to Time-in-Grade Requirement.** We propose elimination of the three-year time-in-grade requirement for all general and flag officers; eliminate the requirement for the Secretary of Defense to certify in writing to the President and Congress the satisfactory performance of duty for officers serving in grades O-9 and O-10; make permanent the time-in-grade waiver authority for all commissioned officers serving in grades O-5 and O-6; and provide legislative consistency between active and reserve commissioned officer retirement standards. The elimination of these retirement-related authorities provides the Secretary of Defense the flexibility to more effectively manage assignments of the senior military leaders, while providing the best person for a particular job, at the right time, and for the right duration. This authority is essential to ensure that the general and flag officer ranks are not clogged up waiting for those officers identified for retirement to reach some specific amount of time in grade.
- **Change to Compensation of General/Flag Officers and Senior Non-commissioned Officers.** Our proposals would allow senior noncommissioned (grades E8 and E9) and commissioned (general and flag) officers to receive retired pay that exceeds 75 percent of base pay. For example, one in grade O-9 might encourage his senior enlisted advisor to remain for the duration of the three- or four-year tour at grade O-9. This initiative would provide both with a greater incentive and a more appropriate retirement plan.

- **Removal of Base Pay Cap for Senior Military Leaders.** Finally, our legislative initiatives would, solely for purposes of retirement computations, remove the cap on base pay equal to the pay authorized by level III of the Executive Schedule. By removing the cap, the Department could compensate senior military leaders at the level that is most appropriate (the unconstrained rate) as a deferred, retirement compensation. This section would incentivize some senior military leaders to pursue longer service in support of transformation objectives.

Mr. COOPER. What metrics were used to determine that the current system of managing general and flag officers was not sufficient for providing the nation with senior leaders capable of leading American forces in battle, running the Armed Services, or providing military advice to the President?

Dr. CHU and General MYERS. The research approach included a review of the literature to understand how private sector organizations manage their senior executives, analysis of promotion patterns and management of general and flag officers from 1990 to 2002. The analysis modeled and assessed different management paradigms and the resulting policies and practices. Interviews were conducted with senior military officers to capture not only their insights, but also their likely behavioral responses to a changed system. Those data suggested very positive responses to the changes we are proposing to the current General Officer Management System.

Mr. COOPER. Based on performance of U.S. forces in battle over the past twenty years, what evidence exists that the current system for managing general and flag officers is not producing senior officers capable of leading American forces in combat? In other words, does this proposal seek to fix a system that isn't broken?

Dr. CHU and General MYERS. There are a number of indicators that change is needed, including the indefensibility of forcing vibrant performers to leave service upon reaching a somewhat arbitrary age, even when both parties—the Service and the affected officer—prefer otherwise. We also note that, without these proposed changes, the nation will cling to the type of static, “one-size-fits-all” approach that is anathema to agility and transformation. Finally, witness the number of waivers presently required in the management of general or flag officers. Last New Year's Eve, for example, we were compelled to send a retirement case for immediate action by the President in Texas, to ensure that an Army Lieutenant General was not forced to retire in a lower grade when his retirement shifted by one month—this is not the hallmark of a responsive, world class personnel management system. Certain changes not only are needed, they are long overdue.

Very correctly, the Secretary of Defense has expressed concern with the current system, which rapidly rotates general and flag officers through senior positions. The general and flag officer career management system is constrained by provisions that govern officer tenure, distribution in grade, senior assignment procedures, and tour length. Together, these statutes suffocate the type of assignment flexibility needed to respond to the needs of the constituents of that system.

Contemporary career demands include additional requirements for education, training, and assignments (e.g., for joint duty requirements and reserve officer joint experience; service with reserve components, joint professional education, etc.). Those shifts increasingly are putting pressure on career length, since today's officers often do not have adequate time in their careers to develop the type of depth and breadth that will be demanded of them in the future.

RAND's National Defense Research Institute recently completed a detailed empirical analysis of career management patterns of general and flag officers assignments. RAND identified certain assignment experiences that were primarily used for preparing officers for assignment experiences where a premium was placed on job tenure, continuity, and experience. The results of the analysis demonstrated that by making the distinction between developmental (breadth) assignments and those assignments in which we expect the incumbent to stay longer (depth) in transforming a function or process, as well as those requiring industrial and business-type experience, the length of assignments for our more senior general and flag officers can be extended while maintaining reasonable promotion flow.

Research shows that the private sector manages future senior executives' careers differently from the current military practice. High-potential executive position rotations typically last two to three years. This is a sufficient period for managers to learn a new job. Assignments for other executives are longer. CEOs average more than eight years in a job and many serve more than a decade. The same research shows that knowledge, influence, and accountability are not firmly established until at least the three year point, and sometimes longer.

The current military officer management system does not set tour length (rotation) based on inherent assignment qualities. Senior military officers move through positions faster than do most executives. The FY02 average tour length for line general and flag officers was:

O-10:	31 months	O-8:	24 months
O-9:	27 months	O-7:	22 months

Relaxation of tenure and tour restrictions would permit longer military careers. Officers would be able to serve longer, and organizations would be more efficient by having less turnover in top leadership. Managed properly this approach would increase the promotion opportunity to general and officer flag rank and would increase the number of qualified candidates for senior positions.

Mr. COOPER. What specific analysis was conducted to determine the specific grades and assignments that qualify an officer to be an Armed Service Chief? Why do the current requirements need to be changed? If such an analysis exists, could the DOD provide it to the House Armed Services Committee for review?

Dr. CHU and General MYERS. The RAND study and analysis did not specifically address the qualifications needed for an officer to be appointed to the position of Service Chief; rather RAND identified certain assignment experiences that were primarily used for preparing officers for future assignments and other assignment experiences where a premium was placed on job tenure, continuity, and experience.

The proposed legislation does not change current qualification requirements for appointment to the Service Chief, to Chairman of the Joint Chiefs of Staff, or to Vice Chairman, but addresses lengthening the career length and the tenure of the most senior general and flag officers.

The following statutory qualifications will remain in effect after enactment of the changes we have proposed:

Statutory Qualifications for Appointments to Senior DOD Military Position

Chairman of the Joint Chiefs of Staff (CJCS). (10 U.S.C. § 152) The President may appoint only a Regular Component officer to the position of CJCS and only if the officer has served as—the Vice Chairman; the Chief of Staff of the Army, the Chief of Naval Operations, the Chief of Staff of the Air Force, or the Commandant of the Marine Corps; or the commander of a combatant command.

Vice Chairman of the Joint Chiefs of Staff (VCJCS). (10 U.S.C. § 154) The President may appoint only a Regular Component officer to the position of VCJCS and only if the officer—has the joint specialty; and has completed a full tour of duty in a joint duty assignment as a general or flag officer.

Commanders of Combatant Commands (CINC). (10 U.S.C. § 164) The President may assign an officer to serve as a CINC only if the officer—has been designated a joint specialty officer; and has completed a full tour of duty in a joint duty assignment as a general or flag officer.

Service Chief

- **Army (10 U.S.C. § 3033).** Appointed by the President from among the general officers of the Army. The officer appointed must have significant experience in joint duty assignments; and such experience must include at least one full tour of duty in a joint duty assignment as a general officer.
- **Navy (10 U.S.C. § 5033).** Appointed by the President from among officers on the active duty list in the line of the Navy who are eligible to command at sea, who hold the grade of rear admiral (O-8) or above. The flag officer appointed must have significant experience in joint duty assignments; and such experience must include at least one full tour of duty in a joint duty assignment as a flag officer.
- **Commandant of the Marine Corps (10 U.S.C. § 5043).** Appointed by the President from officers on the active duty list of the Marine Corps not below the grade of colonel. The officer appointed must have significant experience in joint duty assignments; and such experience must include at least one full tour of duty in a joint duty assignment as a general officer.
- **Air Force (10 U.S.C. § 8033).** Appointed by the President from among the general officers of the Air Force. The officer appointed must have significant experience in joint duty assignments; and such experience must include at least one full tour of duty in a joint duty assignment as a general officer.

Mr. COOPER. What specific criteria will be used to determine what individuals qualify as "Highly Qualified Experts" under Section 101/9904 of the proposed legislation?

Dr. CHU. The meaning of "highly qualified experts" is to provide the flexibility to bring into the work environment, for a limited duration private sector or non-Federal public sector experts to positions that require expertise of an extremely high level in an administrative, technical, or professional field. The experts would be expected to have demonstrated in their field in a non-Federal environment how their participation in an organizational team brought about change, solved problems, added innovation, reduced costs, etc. These are typically people who command high salaries in the private sector.

Mr. COOPER. Will the authority granted to the Secretary of Defense to hire "Highly Qualified Experts" be subject to any independent review?

Dr. CHU. This, as all provisions in the proposed law, will be under Congressional oversight.

Mr. COOPER. What specific statutes or parts of this legislation prevent the Secretary of Defense from hiring unqualified individuals as "Highly Qualified Experts"?

Dr. CHU. Title 5 does not establish qualifications for positions, nor does the proposed NSPS.

Mr. COOPER. What specific provision of this legislation prevents a future Secretary of Defense from discarding any or all of the regulations created by the first Secretary of Defense granted the authorities under this bill?

Dr. CHU. The proposed legislation does not specify what one Secretary of Defense can approve over a previous Secretary. There is no legal precedent for limiting future Department Secretaries from institutional change. There is a definite process, however in the legislation for the establishment of the system and subsequent changes to the system that would allow the Office of Personnel Management and the unions with national recognition rights to be involved in future changes.

Mr. COOPER. Can DOD or another executive branch agency provide a detailed set of "lessons learned" from the creation of personnel regulations for the Department of Homeland Security?

Dr. CHU. DOD could not be expected to comment on the Department of Homeland Security's lessons learned. DHS is in a different evolution phase than DOD given that they are involved in trying to pull together parts of many different agencies together into a cohesive Department. DOD went through that kind of turmoil well over 50 years ago. DHS is in the process of developing regulations that fit its agency needs and the stage of development they are in. DOD, on the other hand, is capitalizing on its successful personnel demonstration projects and strong personnel system background, both military and civilian in creating the personnel system that would be implemented under NSPS.

Mr. COOPER. Why does the proposal seek the authority to waive Chapter 31, Section 3110, 5 USC titled "Employment of Relatives"?

Dr. CHU. The determination on which sections to include under section 9902(c) as nonwaivable was based on the statutory authority for demonstration projects (5 U.S.C. § 4703). Section 3110 is not included as one of the nonwaivable provisions under this authority.

However, like the demonstration project authority, section 9902 requires that the system established under this authority must not modify, waive, or otherwise affect any provision of 5 U.S.C. § 2302. One of this provisions, section 2302(b)(7), prohibits appointing, employing, promoting, advancing, or advocating for appointment, employment, promotion, or advancement, in or to a civilian position any individual who is a relative (father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, or half sister) of such employee if such position is in the agency in which such employee is serving as a public official or over which such employee exercises jurisdiction or control as such an official.

Mr. COOPER. Section 503 (c) of Title X currently allows local school boards, by majority vote, to restrict access of information release to military recruiting personnel. Section 132 of the proposal strips local school boards of this authority. Does this provision stem from a widespread problem? In the past five years, how many secondary schools nationwide have refused to permit military recruiters to come on campus?

Dr. CHU. The amendment proposed by section 132 is a conforming amendment to align two inconsistent statutes—law implemented by section 544 of the National Defense Authorization Act for FY 2002, and the subsequently enacted No Child Left Behind Education Act of 2001. The Education Act allows no such exemption and, ironically, the Defense Act makes it harder to military recruiters to gain access to student information.

The Department of Education reports that scores of institutions have phoned or sent e-mails to its Family Policy Compliance Officer noting the inconsistency and seeking guidance. The Department of Education has consistently cited the No Child Left Behind Education Act of 2001 as the controlling statute. This modification simply eliminates the confusion and contributes to better understanding of the two statutes, which are compatible in all ways except this. Before the laws were passed, about 12% (or about 2,600) schools denied access on their own, while about 2,200 denied access on the basis of school board policy.

Mr. COOPER. Has giving school boards the authority to restrict access by majority vote had a negative impact on military recruiting? If so, please provide specific information on the negative impact of this provision of Section 503 (c) of Title X.

Dr. CHU. Of the 22,000 high schools in the United States, only about one percent currently deny access. This is down from 2,200 (ten percent) before the present law took effect, and about 900 in July 2002. We have achieved these gains with substantial effort, much of which would have been unnecessary if the inconsistencies described in question 7 were eliminated.

Mr. COOPER. Why is it appropriate for the federal government to force local school boards to admit recruiters? How is this consistent with the Bush Administration's focus on the importance of empowering state and local governments?

Dr. CHU. Schools already are instructed by the Department of Education that a school board may not "forgive" a lack of support to military recruiters, consistent with the No Child Left Behind Education Act of 2001; therefore, this does not represent a change. Rather DOD's proposal aligns two inconsistent statutes—the modifications implemented by section 544 of the National Defense Authorization Act for FY 2002, and the subsequently enacted No Child Left Behind Education Act of 2001.

Mr. COOPER. Your testimony suggests that the DOD fully intends to maintain collective bargaining rights for the employees. Yet my impression from reading the bill is that the Department would be able to waive Chapter 71 of Title 5, which establishes collective bargaining rights. In addition, the Department seems to want to "elevate" some issues from local bargaining to national level bargaining. Yet their language would eliminate third-party review of issues that were subjected to national level bargaining. What specific system does the DOD intend to replace the current statutory guarantees for collective bargaining with?

Dr. CHU. The Department intends to establish a system which provides for national level bargaining of Department policies and procedures that affect employee working conditions. It was for this reason that the Department included national level bargaining in its legislative proposal. Issues that are unique to a specific installation or bargaining unit, if bargainable, would be bargained at the local level.

We envision a system in which discussions and bargaining occur on an on-going basis as issues that affect working conditions arise.

Mr. COOPER. I know many of the civilian employees of DOD and they work hard for the military personnel and hard for the taxpayers. Do you feel that civilian DOD employees have made a significant contribution to the victory in Iraq?

Dr. CHU. DOD civilian employees, as a whole, are a group of high-dedicated patriotic citizens. They indeed have made significant contributions to this and all suc-

cesses the Department has enjoyed, that is why we must move the personnel system that they are employed under into the 21st Century and be able to truly compensate the top performers for the work they do for their organization and this Country.

Mr. COOPER. One reason the civil service systems exists, in my view, in order to prevent patronage based on which political party is in power at any given moment. Would the Department's ability to waive due process and appeal rights for civilian employees who are disciplined cause you any concern about a possible return to a patronage system?

Dr. CHU. The Department cannot waive due process, as a matter of fact, the proposed legislation specifies that the DOD must consult the Merit Systems Protection Board in the establishment of appeals procedures. This language is the same as was passed in the Homeland Security Act.

Mr. COOPER. Given the fact that we know so little about how the new personnel system at the Department of Homeland Security, is it wise to move forward with a proposal that would affect five times as many employees? Why not wait and see what happens with the new Department and then move forward? Is DOD willing to accept statutory restrictions that prevent them from issuing any new personnel regulations until after the Department of Homeland Security completes a) issuing their own regulations and b) the success or failure of this new system is evaluated by an independent group such as GAO?

Dr. CHU. There is a misconception that the personnel system that DHS is developing is going to look exactly like the personnel system that we are proposing to develop and those that have already been developed. A look at recent legislative history on the passage of human resources flexibilities will show that agencies that have been given flexibilities have developed systems that meet their individual agency needs, mission and culture. The way the Transportation Security Administration developed a hiring system for immediate hire of over 40,000 employees would not be the same system that DOD or any other agency with an established agency or mission would employ. We don't think anyone can argue that the development of personnel regulations should not include stakeholders. That is the requirement in DHS and the proposed NSPS.

Mr. COOPER. The United States military—supported by more than 600,000 DOD civil servants here at home and abroad—just completed a resounding victory in Iraq. In just three weeks, the U.S. military accomplished a daunting mission with a fraction of the forces used in the first Gulf War to accomplish a less ambitious task. Clearly, our military forces are powerful and unmatched by those of any nation in the world.

The proposed changes the Administration has proposed appear to be the most far reaching in decades, is that correct?

Dr. CHU. The Military Personnel System has undergone change since the beginning of the Armed Forces in America and today change is required to meet 21st Century demands and the transformation of the Department of Defense. Transformation of the Human Resources Sources System is what we need. Transformation does not mean starting over but rather perfecting what is already in existence. We need to transform our personnel system to attract, develop and retain talented and quality people. Early in this administration, the Department introduced and developed a new DOD Human Resource Strategy. This strategy is a roadmap that will take us and our people—into the 21st Century. To truly bring DOD into the 21st century, we need legislative help. The Department wants to work with Congress to fashion proposals that will help to truly transform the department. This will make us much more effective. Present laws frequently operate against transformation objectives. The initiatives presented in the DEFENSE TRANSFORMATION FOR THE 21ST CENTURY ACT are our first steps in remedying that problem.

The DOD Human Resources Plan is the first integrated strategic plan regarding the management of human capital and this plan and the studies supporting the strategy clearly support the mission and goals of the Department of Defense and our National Security Strategy. This new Human Resources Strategy holds true to the rock-solid premise that our people are central to mission accomplishment.

The Secretary of Defense has recognized and emphasized the need for greater flexibility in managing job tenure and career length for general and flag officers with a view toward longer time in a job and longer careers. The legislation that has been proposed regarding the management of general and flag officers is the first of the changes to be recommended to transform our military personnel system.

Legislative changes to Title 10 will allow active and reserve general and flag officers longer careers by eliminating mandatory retirement for time in service, time in grade, and age, mandatory time in grade requirements for retirement in grade, and mandatory tour lengths. It would also eliminate the authorized general and flag officers serving in the grade of O-7 distribution cap to allow flexibility in filling O-

7 and O-8 jobs, sanction the President's authority to immediately reassign senior general and flag officers, who were initially confirmed in grade, to another position authorized to carry the same grade; and allow for appropriate compensation changes to encourage stability and longer service.

We are continuing the study of the military personnel management system by reviewing and analyzing the management of the career paths that lead to O-7. We expect to have recommendations for enhancing the career management of O-1 thru O-7 for consideration in the FY05 Legislative and Budgeting Process.

Mr. COOPER. What is your evaluation of the performance of the U.S. military over the past twenty years?

Dr. CHU. We have just concluded the first war of the 21st century. We won that war in Afghanistan and Iraq with a military that was sufficiently agile to meet the challenges of the mid 20th century. We won that war due to the resolve of the department and our soldiers, sailors, marines and airmen to succeed and to do their best with what they've got. It is our duty to man, train and equip America's greatest assets—it's sons and daughters—with the equipment and management tools to make them successful against the future threats of the 21st century. Our enemies will review our performance in Afghanistan and Iraq to learn how to defeat us in the future. We have to learn the lessons of these conflicts and transform to meet the challenges of future wars.

The Department is working hard to transform into a 21st Century Department of Defense and in many cases we have made tremendous progress. Many of the changes that are needed can be done internally to the department, but the most dynamic changes require a partnership between the Congress and the Department of Defense. We need your help in making legislative changes to transform our 20th Century Military Personnel Management System. With the help of Congress we can make our personnel management policies more effective so that we can serve our country even better than we have done over the past twenty years. . .

Mr. COOPER. Were the 620,000 civil service employees at the Department of Defense a part of these past successes?

Dr. CHU. As indicated in the answer to a previous question, DOD civilian employees, as a whole, are a group of high-dedicated patriotic citizens. They indeed have made significant contributions to this and all successes the Department has enjoyed, that is why we must move the personnel system that they are employed under into the 21st Century and be able to truly compensate the top performers for the work they do for their organization and this Country.

Mr. COOPER. Why change the system this dramatically? Why now? Clearly our military forces remain a potent and powerful force, so what is the military requirement that demands dramatically revamping the structure of the DOD civilian employee system?

Dr. CHU. While we are extremely grateful for all the changes to Title 5 and Title 10 that have allowed DOD to continue to test personnel flexibilities and push for excellence, what we have is a patchwork system of personnel system changes that now range from the 47 DOD specific changes in Title 5 to the 74 DOD civilian specific references in Title 10. We have been working with OPM and the unions to attempt to change the personnel system for well over ten years, this is not sudden and this is not an area where we have not known that we have problems. As we are transforming the entire Department, including military personnel, we must take this opportunity to similarly transform our civilian workforce. Do we need a catastrophic failure to signal now is the time for change? No we don't.

Mr. COOPER. More than half a million Americans will be directly impacted by these proposed reforms, and millions more family members and members of the Armed Services will be affected as well. The success or failure of this plan could have a dramatic impact.

Given the scope of the proposed changes to the DOD civil service system, could you share with the committee the detailed plan for moving from the current system to the one along the lines proposed in the legislation before us today?

Dr. CHU. DOD would establish working groups similar to Homeland Security to develop the system and implementation plan. We would use, as a basis of discussion, the demonstration project best practices and how these flexibilities can work in the Department. A communications and implementation plan would be developed for each major Component in the Department that would clearly layout the implementation events and time-lines. Care would be taken to ensure that any mission requirements were not negatively impacted by the implementation of a new civilian personnel system.

Mr. COOPER. Your testimony referred extensively to tentative guidelines for new personnel regulations published in the Federal Register on April 2, 2003. What stat-

utory obligations would the Secretary of Defense have to craft a system similar to the one described in the Federal Register.

Dr. CHU. No more obligation than the Secretaries of the Departments and Agencies that have been given similar authorities already in statute.

Mr. COOPER. Is it true that this proposal is not a complete plan, but simply requests authority from the Congress for DOD to create a plan exempt from major provisions of Title 5?

Dr. CHU. The language in the proposed NSPS is modeled after the language already passed by Congress for the Department of Homeland Security.

Mr. COOPER. Why did you bring this proposal before Congress without any substantive amount of analysis or detail that would allow us to properly evaluate the substance of the proposed changes?

Dr. CHU. Over twenty years of civilian personnel demonstration project and alternative personnel system implementation in this Department has given us a basis to bring a proposal forward.

Our Federal Register notice of April 2nd provides over 20 pages of detail indicating how we would use the principal authorities we seek.

Mr. COOPER. The proposal presented to the Committee would give the Secretary of Defense great discretion to create an entirely new National Security Personnel System. In some ways, this proposal grants authorities similar to those given to the Secretary of Homeland Security in last year's legislation creating the new department. However, the proposal before us goes even further.

Mr. Chu, is it true that the legislation creating the Department of Homeland Security included a "sunset provision" of five years after which the Secretary of Homeland Security would no longer have the authority to issue new regulations modifying the rules for the personnel system?

Dr. CHU. Yes—they have 5 years to set up their system.

Mr. COOPER. Does the DOD transformation proposal before us have a similar sunset provision on the authorities being granted to the Secretary of Defense?

Dr. CHU. No.

Mr. COOPER. Therefore, is it possible that a future Secretary of Defense, perhaps of a different political party, could completely undo any rules and regulations that Mr. Rumsfeld might issue?

Dr. CHU. The proposed legislation does not restrict a future Secretary of Defense. The proposed legislation provides for the establishment of the system and subsequent changes to it that involves the Office of Personnel Management and the unions with national recognition rights.

Mr. COOPER. Is it wise to have a system in place that gives every new Secretary of Defense the authority to completely rewrite, without OPM approval, the entire civilian personnel system for the Department of Defense?

Dr. CHU. The mission of the Department is not static. Subsequent Secretaries must have the flexibility to shape the Department's civilian personnel system to support that mission, just as he has the authority to shape the military personnel system. The changes that are being proposed transcend partisan politics. We were working on these problems during the terms of both the 41st and 42nd a President and their respective Secretaries of Defense, and we continue to work on the same issues today.

Mr. COOPER. Your testimony suggested that there had been hundreds of briefings to members of Congress and Congressional staff prior to the filing of the DOD transformation proposal. Does the DOD have a list of the meeting dates, times, and subject matter of these briefings? Can DOD provide a list of attendees who were present at these meetings and briefings?

Dr. CHU. A list of documented DOD meetings/briefings attended by members of Congress and Congressional staff on or before May 1, 2003 is supplied [See list on page 1449.]

Mr. COOPER. Under Section 9902(a)(1) of the bill, the Secretary of Defense can invoke national security and implement a new personnel system over the objections of OPM. Please describe the circumstances in which such a national security waiver would be used by the Secretary.

Dr. CHU. As stated in the section by section analysis accompanying the NSPS proposal, the Secretary of Defense needs the flexibility to create a civilian human resources management system that can enable incorporation of DOD civilian employees into the Department's integrated force of active duty military personnel, civilian employees, and DOD contractors. DOD's civilian workforce, while critically important, is a support force. It supports the military forces in accomplishing DOD's national security mission. Civilian human resources management systems that work well for civilian agencies may not work in DOD for this reason.

Section 9902 mandates that the regulations established to implement the DOD human resources management system be developed joint with the Director of the Office of Personnel Management (OPM). We see OPM as a strategic partner that brings to the table an Executive Branch-wide perspective and expertise in addressing civilian personnel issues. We expect OPM to provide valuable insights to assist DOD in developing its civilian human resources management system. However, OPM has no expertise in DOD's mission or how best to create a system that will enable the Secretary to put the right people (military, civilian, or contractors) in the right place, at the right time to meet the nation's national security needs. Therefore, the Secretary must have the final say, subject to the direction of the President, on all aspects of the Department's new civilian human resources system. This is the purpose of the national security waiver.

Mr. COOPER. DOD seeks a waiver from Chapter 71, which deals with collective bargaining. One provision of Chapter 71 relates to the duty to bargain in good faith. What assurances can DOD give that it will bargain in good faith if it receives a waiver from Chapter 71?

Dr. CHU. The Department envisions a system in which discussions and bargaining would occur on an on-going basis as issues that affect working conditions arise. In order for such a system to be successful, it must be based on mutual trust and respect. Acting in good faith is an essential ingredient to establishing mutual trust and respect.

Mr. COOPER. One provision of Chapter 71 (Section 7117) requires that labor-management impasses go to the Federal Service Impasses Panel. Has this requirement in any way hindered DOD's ability to perform its mission? If so, please describe.

Dr. CHU. Yes. Under Chapter 71, Department level policies and regulations that affect working conditions are subject to local bargaining unless the Department can establish a compelling need. Assuming that it does not do so, they must be bargained to impasse.

The Department has over 1300 bargaining units, each of which, under Chapter 71, has the right to bargain to impasse on the impact of DOD policies affecting working conditions. Completing bargaining with 1300 bargaining units (including where necessary resolving impasses before the Federal Services Impasses Panel) can take years. During this time, the affected DOD policy or regulation can not be implemented at that location.

For example, Congress has expressed its displeasure at DOD's implementation of aspects of the Government travel card program. For over two years DOD has been attempting to complete implementation of garnishment procedures for those employees who do not pay their travel card bills. Impact bargaining has yet to be completed by all bargaining units. Until it is, DOD may not implement garnishments against employees in those bargaining units that have not reached agreement or completed impasse proceedings. This creates an enormous administrative burden for both DOD and, in this case Bank of America, which must sort out the employees in the affected bargaining units who are significantly delinquent in paying their travel card bills, before moving to garnish pay. It also creates inequities between employees in those bargaining units whose representatives have completed bargaining (and whose wages may be garnished) and those in bargaining units that have not.

Under section 9902, DOD seeks authority to bargain such issues at the national level.

Mr. COOPER. One provision of Chapter 71 (Section 7106) allows management to "take whatever actions may be necessary to carry out the agency mission during emergencies." Why doesn't this provision provide sufficient flexibility for DOD in the context of collective bargaining?

Dr. CHU. Case law has interpreted this provision as requiring completion of bargaining obligations to the maximum extent practicable even in an emergency situation. The events following September 11 provide examples of the difficulties that can occur when collective bargaining obligations conflict with force protection obligations.

Mr. COOPER. DOD seeks a waiver from Chapter 75 which deals with due process rights. Please describe how the current provisions of Chapter 75, which include providing advance notice of an adverse action and giving time to the employee to respond, have in any way hindered DOD's ability to perform its mission.

Dr. CHU. The waiver provisions of section 9902 that provide for waiver of Chapters 75 and 77 are modeled after the Homeland Security Act.

The Department intends to follow the model established in the Best Practice Federal Register notice of April 2, 2003, which provides an integrated system to attract and reward good performers and to address poor performance. As stated in the Federal Register notice, Chapter 75 is not waived, but it is adapted "(1) to replace

"grade" with "pay band level," (2) to provide that reductions in pay band level not accompanied by a reduction in pay are not covered by Chapter 75, subchapter II, (3) to ensure that adverse action provisions do not apply (a) to conversions from GS special rates to demonstration project pay or from other demonstration project pay to this demonstration project pay, as long as total pay is not reduced, and (b) to supervisory pay when an employee moves to a lower level supervisory position or to a nonsupervisory position, and (4) to otherwise accommodate demonstration project best practices features."

In addition, there is recent case law that asserts that Chapter 75 provides an independent right for employees who have competed more than one year in a competitive service position to appeal adverse actions to the Merit Systems Protection Board, even if they are in positions that require a two or three year probationary period. The Department's experience in assessing the performance of new employees in a number of technical and professional occupations (such as, for example, scientists and engineers) shows that, in many cases, a one-year probationary period is insufficient to make such an assessment. This experience has been validated in the Department's demonstrations projects. Allowing DOD to adapt Chapter 75 to recognize these expanded probationary periods is necessary to enable the Department properly evaluate new employees before they are converted to career status.

Mr. COOPER. Why doesn't Section 7532 of Title 5, which provides for a national security exception, provide sufficient flexibility for DOD?

Dr. CHU. No. Section 7532 is intended to address a specific and narrow type case where the decision is made by the head of the agency concerned. It is, as the Supreme Court has opined, "a procedure that is harsh and drastic both for the employee and for the agency head, who must act personally in suspending and removing the employee." *Department of Navy v. Egan*, 484 U.S. 518 (1988). There are currently more than 600,000 employees in the Department of Defense. It would be impractical to base an adverse action system on a process that, in each case, requires a decision by the agency head on grounds of national security.

Mr. COOPER. What due process provisions would you implement in place of Chapter 75?

Dr. CHU. As indicated in the Department's April 2, 2003 Best Practices Federal Register notice, we would anticipate retaining all basic due process rights, including advanced written notice, opportunity to reply orally and in written, opportunity to be represented; and a written decision, while adapting Chapter 75 "(1) to replace "grade" with "pay band level," (2) to provide that reductions in pay band level not accompanied by a reduction in pay are not covered by Chapter 75, subchapter II, (3) to ensure that adverse action provisions do not apply (a) to conversions from GS special rates to demonstration project pay or from other demonstration project pay to this demonstration project pay, as long as total pay is not reduced, and (b) to supervisory pay when an employee moves to a lower level supervisory position or to a nonsupervisory position, and (4) to otherwise accommodate demonstration project best practices features." The time lines provided in Chapter 75 could also be shortened in appropriate cases.

Mr. COOPER. DOD seeks a waiver from Chapter 77 which deals with appeal rights. Please describe how the current provisions of Chapter 77, which include the ability to appeal discrimination actions to the EEOC, have in any way hindered DOD's ability to perform its mission.

Dr. CHU. One example, which has had a substantial impact on the Department, is the Merit Systems Protections Boards erroneous interpretation of the scope of its jurisdiction over the Department's Priority Placement Program (PPP). This is a group of programs that is designed, based in the Secretary of Defense's authority as the head of the Department of Defense, to place employees who would otherwise be adversely affected by reductions in force and other similar actions. It also allows the Department to place employees returning from overseas duty, after the expiration of their overseas return rights; and to place spouses of service members who are transferred to new postings. It is a model program in which the Secretary mandates that organizational elements within the Department accept well qualified employees for vacant positions. Placement is voluntary on the part of the employee. The Board, in several cases, has asserted jurisdiction over the program in a mistaken belief that it is an alternative or adjunct to an OPM program, for which OPM provides appeal rights to the Board under its regulations. While the Department is ultimately successful in defending itself in these cases, by allowing employees affected by reductions in force and other similar actions to appeal to the Board, the Board has increased the Department's administrative costs and, more importantly, is jeopardizing a program that was created to benefit employees who might otherwise lose jobs.

Mr. COOPER. What due process provisions would you implement in place of Chapter 77?

Dr. CHU. We would anticipate maintaining an independent review of each action subject to review under Chapter 77. In addition, as provided for in section 9902, we will consult with the Merit Systems Protection Board before issuing regulations. Such regulations would adapt Chapter 77 only insofar as such modifications would be designed to further the fair, efficient, and expeditious resolution of matters involving the employees of the Department of Defense.

Mr. COOPER. The demonstration projects that DOD has said would be the basis for the new personnel system did not allow complete waivers of Chapters 71, 75, and 77. Have the demonstration projects been hindered in any way because they did not have these waivers? If so, please describe.

Dr. CHU. The Department's current demonstration projects have focused on expediting the hiring process and pay for performance to attract and keep top performers. They have used the ability to reward top performers with large pay increases and to withhold pay increases from poor performers as tools to encourage poor performers to either improve or find other jobs more suited to their skills and abilities. While these demonstration projects did not experiment with these authorities, our response to the above questions indicates the problems the Department has had with the inflexibility of these provisions. Consistent with the law basing the Department of Homeland Security, we seek the same flexibility.

FISCAL YEAR 2004, NATIONAL DEFENSE AUTHORIZATION ACT—THE DEFENSE TRANSFORMATION FOR THE 21ST CENTURY ACT

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Friday, May 2, 2003.

The committee met, pursuant to call, at 9:07 a.m., in room 2118, Rayburn House Office Building, Hon. Duncan Hunter (chairman of the committee) presiding.

OPENING STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order. The Committee on Armed Services will hear testimony for the second day from the Department of Defense and other interested third parties to consider their views on the Defense Transformation for the 21st Century Act submitted by the Department of Defense to the Committee on Armed Services for inclusion in the National Defense Authorization Act for fiscal year 2004. Yesterday we heard testimony on DOD's civilian personnel transformation proposals. Today we will focus on the military personnel proposals contained in the act.

Department officials have advised us the Department needs to change its organization and operating procedures in order to meet the new threats of the 21st century. The Department's transformation proposal for military personnel will make changes in four areas: Active and Reserve component; general and flag officer management; increased access to the Reserve components; joint officer management and joint professional military education, and revised military manpower management.

The Honorable David S.C. Chu, the Under Secretary of Defense for Personnel and Readiness, will be testifying again today, and joining him on the first panel will be Admiral Vernon E. Clark, Chief of Naval Operations.

Testifying on the second panel this morning will be Dr. Lawrence J. Korb, Director of National Security Studies, Council on Foreign Relations; and Lieutenant General Theodore G. Stroup, Jr., U.S. Army, retired, Vice President for Education, Association of the United States Army.

And at this time—we had a good hearing yesterday, had a very extensive hearing, and I think raised a lot of issues, some of which are challenging, but which I think can be met as we move to consider and mark up this legislation. And it has been a pleasure to work with everyone in the committee on this, and at this time I would like to turn to my partner on the Armed Services Commit-

tee, the Ranking Democrat, the gentleman from Missouri Mr. Skelton for any remarks he wants to make.

[The prepared statement of Mr. Hunter can be found in the Appendix on page 1555.]

STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SKELTON. Mr. Chairman, thank you so much, and appreciate your calling this hearing today. It is very important that we discuss the issues. And I think we had a full and thorough hearing yesterday. So let me join you in welcoming Dr. Chu again and Admiral Clark.

I mentioned yesterday that it took 5 years to develop the Goldwater-Nichols legislation. The many hearings and briefings and meetings that this committee had helped develop a more thoughtful and superior product. I think that had we acted hastily like in the first or second year—as I mentioned, Mr. Chairman, yesterday was 5 legislative years that went into Goldwater-Nichols, and had we acted hastily, we might have ended up with something that wasn't very good.

I have pointed out to the chairman yesterday, Admiral Clark, you will appreciate this, that Dick Clark—excuse me, Dick White introduced legislation at the behest of Sean Myer and Dave Jones that the Joint Chiefs of Staff were working. And he, through a series of hearings, put a bill together and retired, and I picked up the gauntlet and introduced legislation the following year that abolished the Joint Chiefs of Staff. And I found out very quickly, Admiral, that not one member of the Joint Chiefs of Staff had a sense of humor. But it evolved from that, as you know. We did good stuff, and ended up in 1986, as opposed to my 1983 proposal of abolishing the Joint Chiefs of Staff.

Now, 56 years ago, a response to over 100 years of managing our officers by patronage and political intervention, Congress enacted the Officer Personnel Act, 1947, during Harry Truman's era. Then that introduced the current approach to the officer personnel system, and, as a result, today's officers rise to the ranks in a predictable, stable and timely manner.

Now, the general officer management proposals are being asked by the Department of Defense to authorize our significant, in some cases—I have got to say they are puzzling, and I hope we can parse this out in our hearing today. For example, the mandatory retirement age is currently 62, which we all know. We already have the ability to keep exceptional general officers, to keep them in uniform longer without the changes being sought by the Department. For instance, does the name Hyman Rickover mean anything to you? He was kept on past the age of Methusaleh, if you will remember, and it was Secretary Lehman who ended his long and illustrious career. Does the name Wayne Meyer mean anything to you from Brunswick, Missouri, Admiral, who was the father of the DDG-51 series of ships, and he was kept on—I have no idea how many years. He may still be out there, but far past the age of 62. And I know there are other examples that I don't know about, because the current system already allows outstanding officers to be re-

tained, so I ask whether it is really a key consideration of the Department that this proposal be permitted to serve longer.

Will the addition of 6 years to a retirement age of 68 really provide a dramatic improvement in the quality of leadership that we have? I think we have exceptional leaders now and the ability to keep them on board if need be.

I would note that General Tommy Franks, who is on everybody's lips today, who commanded our forces in Operation Iraqi Freedom, is only 56 years old. We have means to keep him until 62 or past if we want to.

So I ask is—that is it realistic to propose allowing general officers to remain on Active Duty longer without also providing change to the career management of every other officer below that? That is the key question today. A research in history will tell us that there are—through the years the seniority system ruled, and the general stayed on. Winfield Scott was 75 years old at the beginning of the War Between the States, for instance, and many others in that era and later; General John Joseph Pershing; Admiral Clark from Missouri, who was picked up as a brigadier general and passed over all of the older ones who were still there because of the seniority system.

The system we have today seems to be working, and I question why fix it if it isn't broken. Well, we need to know what is the intended result of the general officer changes; and second, how does the current policy prevent the result that you seek from happening? Like I say, again, you can't fix a problem until you really know it is broken. And from what I see from my vantage point, I haven't seen that the system is broken.

Now, as the Chairman knows, I spent over 20 years studying military personnel policies, and it is compelling, it is challenging, it is complex. Unlike procurement issues that are pretty much black and white, the personnel issues are really shades of gray.

So I look forward to your testimony. I hope we can be helpful on this committee, but these are questions that really need to be answered. I hope you can supply good answers for us.

The current law currently allows the Department to waive the age requirement for up to 10 flag officers. Now, does that waiver needed to be provided yearly? I don't know. And how is the waiver currently being used? I point out those two examples that I personally know about, Admiral Rickover, Admiral Meyer, and I am sure there are others floating around out there.

I will tell you one thing I do agree on. I think that the 30-year cap should be seriously looked at, and I think that that type of officer that you have, you would like to keep—and I know he was far younger than 62—that you would like to keep someone like that on board.

So I look forward to the discussion, Mr. Chairman. Enough said.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 1558.]

The CHAIRMAN. Well, let me just say to my friend that the defense, Mr. Skelton, that you bring to this discussion is invaluable, because there is nobody who is more of an expert on this aspect of personnel issues than you are, and I especially think it is important for us as a committee that follows and has a high regard for

tradition and for history. It is appropriate that we follow you, your historic sense of what has happened in this area. So I want to thank my colleague for a very, very fine opening statement.

At this time I just want to remind my colleagues we have today two panels of witnesses, and we are going to request that each of the witnesses summarize their testimony in 5 minutes following our 10 hours of hearings yesterday. But it was important, I think, to have a really good back and forth with our members. We will try to accomplish that here today also.

But after that, we will permit the Members to ask questions, and let me once again just welcome our witnesses and thank all of you for being here on what really was relatively short notice.

So without delay, let's turn to our first panel, and, Dr. Chu, once again, thank you for being with us and for being ready, willing and able to take this issue apart in some detail. The floor is yours, sir.

STATEMENT OF HON. DAVID S.C. CHU, UNDER SECRETARY OF DEFENSE (PERSONNEL AND READINESS)

Dr. CHU. Thank you very much, Mr. Chairman. It is great to be here and—

The CHAIRMAN. Oh, we have one other statement. I apologize.

Mr. SKELTON. I just might mention it shows the courage of Dr. Chu to come back a second day after the throes of yesterday that he went through. So we welcome you and thank you.

Dr. CHU. Thank you, sir.

The CHAIRMAN. There is nothing like a fine-wire brushing to liven up the morning.

Dr. CHU. Absolutely. Wakes you up. Thank you, Mr. Chairman. It is a great pleasure to be here and have the opportunity to present to the full committee what I discussed on March 13th with Mr. McHugh's force subcommittee, and that is our proposed changes to the management of both Active and Reserve personnel in the Department of Defense. This is, again, part of the large transformation package. It has been discussed in many meetings with individual Members and also, of course, with your staffs.

Let me very briefly summarize the important provisions related to our flag officers, to the joint specialty officers and to the Reserve community.

For general flag officers, it is the intent of the Secretary of Defense going forward to be more purposive about the tenure these individuals have in their particular posts. As you know, the behavior of the Department today is that typically these officers turn over about every 2 years. That is frequently much too short to effect meaningful change, and we are looking forward to future assignments that would probably last 3, 4, 5 years in typical case.

Moreover, I believe the Secretary has frequently mentioned to Members of the Congress his concern that the most senior officers, our most successful executives, leave after just one period of 3 or 4 years at their grade of O9 or O10, and I think going forward, we would like to exploit fully the leeway the Congress gave us some years ago to retain O9s to 38 years of service and O10s to 40 years of service, authority the Department, quite candidly, has not been using.

In order to do that, and in order to permit us to exploit that authority and to benefit from the expertise, experience and abilities of these most senior officers, it will be necessary to raise the maximum age of service, currently, as Mr. Skelton noted, 62 years of age, with 10 officers, waivable any one time to 64. But 64 is currently the hard stop, and if you think about that situation and you keep O10s to 40 years or 41 years on average, something in that range, you are quickly going to run into the age limit. And so we propose that that age limit be modestly increased.

We are very mindful that you wish to maintain promotion opportunity for younger officers, and, therefore, one of the key provisions in this package is the request that we be allowed to retire general and flag officers at the grade in which he or she might be serving, provided that service is honorable and satisfactory, notwithstanding the length of tenure in that grade.

That is really the key provision to ensure that we keep up the current promotion opportunity from O6 to O7. We have carefully simulated how a system will behave under the changed conditions I have described, and we are confident if we receive that power, we will not only maintain the promotion activities through O7, but actually in some cases very modestly increase it.

We do wish to honor the service of—the much longer service of these senior leaders, and that is why there was a series of provisions that Mr. Skelton has referred to that will have their annuity increase as they give that longer service to the country.

The second set of provisions relates to the management of joint specialty officers. We would like to make two modest changes in that regard. One is to allow qualification to occur as long as you both meet the educational and the tour assignment provisions of current law, but not make the qualification the sequence of those events. Sometimes as the exigencies of current operations such as we are currently conducting dictate, they originally had the assignment first and then the schooling. Present law requires you first have the schooling and then the assignment. Occasionally it doesn't work out that way. We think those other officers should be allowed to achieve that important qualification.

Second, we would like to have some of our shorter tours qualify as a joint specialty officer tour. Specifically those tours were—as a matter of policy, we do not allow dependents to accompany the member, and the tours are for only one year. Korea particularly is the primary example of that situation.

We at the same time would like to be sure that we allow officers who accumulate experience in Joint Task Force headquarters, which we would argue is among the most educational of the joint tours that we have available, to be able to achieve a joint specialty officer tour if they complete 365 days of that—in that mode.

Finally, with the Reserve components, we have a series of provisions in this package paralleled with some provisions in our original transmission for the authorization bill—the underlying authorization bill itself that would enhance the notion of a continuum of service for our Reserve members, make it easier for them to move from Active to Reserve status and Reserve to Active status back again, make it easier to use the Reserves. And specifically we believe it is important to keep these Reserve units in a trained and

ready condition. We would like authority to reach units for up to 90 days of training without the necessary mobilization to ensure they have that readiness. We would like authority to be able to correct medical and dental problems in a unit that has been alerted for mobilization, but not necessarily yet mobilized. And we would like the ability to have the Reserve service specified in the statute as 38 days a year, not specifically necessarily one weekend a month—one weekend drill a month and 14 days in the summer, 12 hours to mix and match in that regard.

Finally, we would like flexibility to allow us to draw on skills developed in the civil sector. We have in mind technology, we have in mind medical specialties, we also have in mind linguistic capabilities. Current law requires that reservists who are deployed have to have 12 weeks training before they go. It is a provision that relates back to some unhappy experiences in the Second World War. We would like that provision relaxed.

In order, for example, to be able to carry forward a program that the Secretary has directed, we initiate to point directly to the intelligence requirement (IR) people with linguistics skills, in Arabic, Pashtu and Dari, whose need, as you know, is urgent, at the moment we could not send individuals overseas until he or she had completed 12 weeks training. We want to ensure such individuals do get the training they need, but it may not necessarily take 12 weeks in order to achieve it.

These provisions, we believe, Mr. Chairman, will allow us not only to sustain what everyone I know agrees is the finest military this country, any country, has ever seen, but indeed to enhance its capabilities as we move forward in the 21st century.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Dr. Chu.

The CHAIRMAN. And, Admiral Clark, great to have you here with us. What do you think here?

STATEMENT OF ADM. VERNON E. CLARK, CHIEF OF NAVAL OPERATIONS

Admiral CLARK. Thank you very much, Mr. Chairman, Mr. Skelton. It is a privilege to be before this committee again today. And I was thinking back. It was in February I was here before the full committee and talking about the 2004 submission and the fundamentals of sustaining the gains that we have made the last couple of years with regard to current readiness and manpower, and I talked that day about the requirement to move on and transforming tomorrow's Navy. And we talked a little bit about Seapower 21, and I remember that I said that data transformation is more than just buying new hardware. And the subject for today and the topics on the table in part of this bill, I believe, are a key part of our ability to transform to create the 21st century military.

Transformation is certainly more than just capabilities and hardware and equipment. If we are going to transform, we have to address our organizational processes, and the way we recruit, and the way we train, and the way we incentivize for our people, the way we reward the kind of behavior that best serves the organization.

To me, transformation is about the way we speed innovation and bring it online for our people, and it to me is certainly about the

way we manage the resources that the Nation has given us, the taxpayers have given us. And I will just say that as a service chief, Title 10 spells out my requirements, my job, very clearly to me. I am in the business of organizing it, training it and equipping it, making sure that we have a Navy that is ready to fight and win.

And when we were here in February, the future about conflict was out in front of us. I sit here this morning, seven of my carriers are—carrier battle groups, one of them is almost home. The other six are in various stages of engagement around the world. Seventy percent of the elements of my force are committed globally. I have got a very ready Navy, and we are proud of it. But at the heart of my ability to have the kind of Navy that I believe this Nation needs in the 21st century is I need a personnel system that is able to compete in the 21st century marketplace. And so, frankly, I was pleased when I got the call we could come and talk about the elements of this bill, and I want to be on record that I am as supportive as I know how to be of the elements of this proposed legislation.

When I started this tour, and I have been in this job now for almost three years now, at the top of my list on my priority list, my top—the Chief of Naval Operation's (CNO) top five was the battle for people. And so that is something that I had been working on since I have been in this job, and to me that is about ensuring that we have got the right people with the right capabilities in the right place, and the right management tools in place to make sure that we can compete and sustain the personnel system and have the kind of people we need to have a winning military. A personnel system that can compete in the 21st century marketplace, I believe, has to be agile. It has to be flexible, it has to allow us to attract and retain the best that our Nation has to offer. And so, I am supportive of this legislation, and to me it is all about our ability to fight and win in the future.

Mr. Chairman, I look forward to your questions and getting into the specifics that you all have for us today. Thank you.

The CHAIRMAN. Thank you, Admiral and Dr. Chu. Thank you for being with us and getting right into this challenge.

And let me just start off with a couple of questions here on what you are asking for and what we have now. You need this increased flexibility to extend talented officers, and the Ranking Member, who is our historian on this committee, went over a number of folks that we have kept on because of their extraordinary talent in the past and reminded you that you have that—you have that capability or authority to some degree right now.

Talk about that a little bit and what you have now and why that is not sufficient to run the program in the future the way you would like to run it.

Dr. CHU. Yes, sir. As Mr. Skelton noted, if an—we cannot give an officer beyond 62 years of age, except for 10, whom we keep to 64. If the typical O-10 is going to serve 40, 40 plus years, and if he or she is commissioned at, let's say, age 22, 23, which is typical, and you add 40 years to that, you can see we already easily hit 62. If the individual has a break in service, we can easily hit 64.

Case in point, one individual—I don't want to use the particular name here—where if he had been nominated, the Congress had confirmed him to a particular post, he would have run out of room.

There is a hard stop at age 64 under the law. So it takes special legislation to go beyond that age number.

Similarly, we have to have a set of facilitating steps to be sure, as Mr. Skelton has correctly said, that we do not create promotion stagnation; enhance the provision to allow us to retire more junior flag officers really at the grade in which they are serving promptly rather than have people stay on to meet a tenure requirement of three years of—

The CHAIRMAN. Now, describe that tenure requirement right now. Give me an example.

Dr. CHU. The tenure requirement now is that you must serve three years in grade in order to qualify for retirement at that grade. The President may waive it down to 2 years, and the Department has the authority to waive it down to 2 years through 31 December of this year. But situations will arise that make it appropriate for the retirement to occur even before two years in some cases. They are not necessarily numerous, but it is important to act promptly once it is clear the officer is going to leave so that you can keep up the promotion movement for the cohort as a whole.

The CHAIRMAN. Well, so there is a—I guess you could call this a hard stop-off. So there is a hard stop as you are going down to two years. You have got to have a minimum today, even with the waiver of two years in grade?

Dr. CHU. Yes, sir, you do, and we run into humanitarian situations, as well, that are sometimes an issue of a similar sort.

The CHAIRMAN. How many officers do you think that would affect—just a ballpark—annually?

Dr. CHU. I don't think it would necessarily be large, sir, but it will be sufficiently numerous that without it, you would create the slowdown in promotions to O-7. That would, in fact, be discouraging to junior officers, and we don't want that to happen.

The CHAIRMAN. Now, what you are really talking about, Dr. Chu and Admiral Clark, is that you don't want a situation where somebody is basically in place essentially marking time until they can accrue that tenure.

Dr. CHU. That is correct, sir.

The CHAIRMAN. On the other hand, you don't see an inequity in terms of allowing somebody to retire with that grade immediately upon receiving it?

Dr. CHU. The intention is not to—

The CHAIRMAN. You don't think that might not be the marking time, waiting until they get that grade and then their—

Dr. CHU. No, sir. The retirement, of course, is still discretionary. We are not intending to use this to create tombstone promotions, as they used to be called. In terms of the annuity, by the end of this decade, all officers will be under the high three rule in any event. So this is not something that really affects their pension, per se—the fact that they could retire at the grade which they are serving even if they had achieved three years. This is a matter of recognizing their service, honoring their service. These are all very successful performers in our system. They have all reached flag rank.

The CHAIRMAN. So you are saying that this doesn't affect their retirement pay?

Dr. CHU. Except for the days in which they are serving which count toward the 3-year average, officers beyond, I believe, it is 2006 or 2007 will all be under the high 3 rule in terms of computation of their pension.

The CHAIRMAN. Then what is the force and effect of this?

Dr. CHU. The effect of this is to allow them the honor of retiring with the grade in which they are currently serving so they don't have to take a step back in grade.

The CHAIRMAN. If a person is a two-star flag rank, if they retire as a—if they gain a two-star flag rank in the first of this year, and they want to retire the first of next year, they retire at a one-star flag rank. They don't—

Dr. CHU. At current law, yes, sir.

The CHAIRMAN. So you are not—so this will not have a fiscal effect?

Dr. CHU. It—

The CHAIRMAN. But it will have the effect of relieving pressure from the top—

Dr. CHU. Yes, sir.

The CHAIRMAN [continuing]. And allowing the flow—the upper flow to accelerate a little bit.

Dr. CHU. Yes, sir. There is a very modest effect between now and 2006, 2007, but it is—

The CHAIRMAN. Admiral Clark, any comments on that?

Admiral CLARK. I very much would like to comment on this. In the terms of what I—you know, I manage my flag force, here is what happens: An individual is selected for flag, and they frequently wait 12 to 18 months. In my case when I was selected for flag, it was 23 months before I actually got paid. We went through a process. We have a process where we frock officers. We give them the authority to wear the uniform and have the title, because we have got way more places we could put admirals than we have authorized billets. But you don't get paid.

The Navy saw me working for almost two years as a frocked admiral. After all of the people in a given year group have been in the job one year, they go up to the two-star board. If they do not select, the law says they have to serve three years before they can retire. So now they have been wearing the uniform and working in the flag job for two to three years, and they did not select for the next grade. For me, managing the flag community, I now am in a position that I need to move that person to a new job or keep them in the job that they are in, and that might mean that they serve five years in the job, but they are not going to be promoted. The reality of their upward mobility is an issue inside the organization, and when this legislation—

The CHAIRMAN. They have gone as far as they are going to go.

Admiral CLARK. They have gone as far as they are going to go, and I have to wait two years before I can get another flag officer in the door who is full of fire and the potential to greatly affect this institution, and I have operated by and large under a system that gave me the ability to waive two people a year, two, to waive them out before three years, and that down to two years.

If I am going to make a system like this work, what I told Dr. Chu is that you have got to give me the flexibility to move people on that are not going to affect the organization at a high level.

And, fundamentally, Mr. Chairman, these people love the Navy, they love what they have been able to do, but they have reached that point, and most of them are ready to move on at that point. I don't have the authorities to do it.

The CHAIRMAN. And you think they would probably—they probably—in their equation when they are sitting there at the breakfast table with their wife figuring out what they are going to do, having not made that last cut, they probably consider the fact that they would like to see some of their colleagues have that upward mobility also.

Admiral CLARK. That is correct.

The CHAIRMAN. Let the new guy come in and take charge.

Admiral CLARK. This is fundamentally now about flexibility, an individual who has served and served loyally and faithfully, who decides it is time for me to move on to the next phase in my life. By the way, none of these people ever really retire, Mr. Chairman; none of them do, and we can get into the finances of that if you would like, but I can assure you that all of them have to go to a now—another stage of income-earning life in order to perpetuate their—take care of their family.

And so they are caught in the middle here, and I will tell you that in the month of March, I have all of my flag officers together in the Navy, and I went over where this CNO is and how we are going to do this in the Navy, and we live in a challenging world, and it is a competitive world, and this is the way that we are going to support this legislation, because we believe that it is clearly in the best interest of the institution.

The CHAIRMAN. Mr. Skelton.

Mr. SKELTON. Mr. Chairman, I will try and be brief, but I do have a few questions.

At the present time, an officer of flag rank is to retire at the age of 62; is that correct?

Dr. CHU. Any officer must retire at age 62, yes, sir.

Mr. SKELTON. Flag rank.

Dr. CHU. Certainly flag rank, also.

Mr. SKELTON. And you can extend them up to the age of 64?

Dr. CHU. The President may waive 10 to 64 at any one time.

Mr. SKELTON. And truth in fact, you can do more than that.

Does the name Grace Hopper mean anything to you?

Dr. CHU. Yes, sir.

Mr. SKELTON. She retired at the age of 80. Hyman Rickover, we can't count as old as he was when he was forced to retire by John Lehman. Wayne Meyer may still be on the roles, I don't know, but he was the—

Admiral CLARK. To my knowledge, he served 38 years.

Mr. SKELTON. So you have under section 688 of chapter 39, the ability to keep people on who are retired, a la Grace Hopper, and I have a little difficulty in understanding the need to fix it. But, Admiral, you said that your battle is for people, and my major concern is the younger sailors, officers, Army, Navy, Air Force, who know in their heart that they are competitive for a flag rank, as

a commander, as a captain, and they see the flag—folks ahead of them, any number of them being reshuffled from job to job to job, when under today's system they probably would have been retired.

I wonder how that will sour them in staying in. I can see an Army lieutenant colonel, a Navy commander looking up and saying, my gosh, I think I am going to be competitive for a flag rank, but those guys keep changing chairs with each other, and the same old faces in the two, three and four shop, that is a major concern.

Another one is those who become brigadier generals, the lower-half admirals. Would they not be on pins and needles with you picking up the phone someday after six months of service and saying, time to go home? On top of that, is that good for the taxpayer, having gotten only, say, six months or a year out of a brand new one-star?

So this worries me. I would like to see it work. My main concern is souring the younger folks who may want to stay in and be competitive when they see the reshuffling, and there ain't no room in the inn, the inn being the flag rank, because those guys are sticking around so long.

How do you avoid that? Either one of you, how do you avoid that?

Admiral CLARK. Well, here is the way you deal with it. And I wish you—it would have been very healthy for you to have observed Dr. Chu and I having our discussions about this—all of these issues. And I challenged the question how am I going to maintain flow. And frankly, Dr. Chu wargamed this out by having them analyze all of the moves that we have been making in the Navy, have specific data on the way we in the Navy have done this. And fundamentally, if you give me the kind of flexibility I need to deal with the one- and two-stars, we will have more opportunity, we will have more opportunity to O-7 than we have today.

The analysis shows that the opportunity is fundamentally even through one, two and three-stars, and slightly reduced with decimal points at the four-star level. And what that means is this doesn't mean that every humanoid that, you know, wears the uniform is going to end up staying until they are 42 years old. That is not what it means. But it does mean that you change the psyche of this—of our service and our psyche of our service today is up or out with a time line running against you that puts a certain level of pressure on you today and impacts whether you are going to be able to serve at the high level.

Let me give you an example, and the only way I know how to do this is to give you my own experience. I was selected for flag in my 21st year of active service. The average today is closer to 27 years of service. When somebody is selected in the 27th year, it is very difficult with the time to develop, given the grades, for them to get to the level that we are talking about anyway. Sixty-two is a cap on them that is absolutely affecting their perception of how far they are going to be able to go anyway.

My sense of this is that if you create a compensation system that makes it possible for officers to have longer careers, and who desire to serve and are the select few that the Nation wants to stay and serve, that we are going to change the psyche of this whole system. But the data shows specifically that the—and flow was my number

one question about this—that we will have the same opportunities that we have today. That is absolutely mandatory that this legislation includes the flexibility that I am—that this legislation asks for that lets me manage the one and two-star flag numbers.

Mr. SKELTON. I am not sure you have done a peer analysis of the history of the military and particular flag ranks in the Army. I have had that opportunity to do that, and how the seniority system ruled and how it did discourage people. I won't go into all of that, and the examples are real horror stories down through the years, and the system we have now works. There are exceptions, a la Grace Hopper, a la section 688. But I will not ask for questions now, I will come back later. But thank you very much.

The CHAIRMAN. Thank the gentleman.

Mr. Saxton.

Mr. SAXTON. Dr. Chu, let me ask you a quick question. The Department of Defense laboratories are obviously a critical part of maintaining our technological leadership. In 1999, the Congress included a provision in the authorization bill that permitted laboratories to hire technical staff, if you will, outside of the Civil Service System in order to be able to attract the kinds of people that we needed. That system seems to have worked pretty good. Defense Advanced Research Projects Agency (DARPA) is authorized for 40 positions, and each of the services are authorized for 30 positions.

Your proposal appears to eliminate the ability of DARPA and the services to hire these folks outside of Civil Service. Is that true, and if so, how will you deal with it?

Dr. CHU. I believe, sir, what the proposal really does is allow wider authority for everyone, which essentially replaces the authority that you are describing. We would actually, however, propose to extend the authority DARPA holds for appointing highly qualified experts as employees of the U.S. Government, which, again, I think has the effect that you are pointing to in terms of flexibility the laboratories need to get the best scientific engineering talent for the country.

So the bottom line answer to your question is, we are basically replacing the authorities that are there with broader authorities for everyone, but we propose to expand the authority, which only DARPA now holds, for the so-called highly qualified experts to make it available to everyone. I think that will get us to the same bottom line.

The reason for replacing authorities is so that we are operating the entire Department on a similar system rather than having these stovepipes where each particular institution has a somewhat different personnel solution.

Mr. SAXTON. So you feel comfortable with a provision that you have obviously thought through this process—the process, and that you are comfortable that we will be able to attract the right kinds of folks—

Dr. CHU. Yes, sir. The key is being able to appoint promptly and be able to compensate competitively, and we think these provisions do so.

Mr. SAXTON. Thank you.

Admiral Clark, let me ask you what I think is a really tough question. It has to do with transformation and acquisition. It seems

to me that we need to have some kind of a bridge that follows a more—perhaps a more logical path in the area of acquisition than the path that we have been on in transformation over the past few years, keeping in mind, for example, that the C-17, which was a transformational concept, took well over ten years to move from concept to first production model—first production aircraft. I think it was 13 years, actually. And, Chairman, I lived through it. It was kind of painful along the way.

Now we are transforming—for example, in the Army the acquisition transformation issues are several, but one of the models is the transformation of the legacy force in the Army from the current laydown of force structure that we saw demonstrated very successfully over the last month or so in Iraq through the Stryker and into the Future Combat System. One of the things that I observe happening is that we have taken all or most of the modernization money from the legacy force and decided to invest it in Stryker and at the same time trying to develop the Future Combat System, which is more revolutionary and perhaps more time-consuming to develop than the C-17 was.

In the Navy we are moving in a number of areas, littoral ship and other things, but the example that I would like to use is moving from guided-missile destroyers (DDG) to DDX. And listening to the debate on DDX and how heavy it will be and how much ammunition, munitions, it will be able to carry, et cetera, this looks to me like a very long period—a very long, complicated process, as well, and I hear that maybe we are not spending enough on—we haven't devoted enough resources on modernization and evolution of Aegis and other DDG issues.

And in the Air Force—and I don't mean this to be critical; it is just an observation—in the Air Force I go out and talk to people in the field. They are flying today the F-16s and F-15s and other aircraft in the Air Force, and some folks are telling me that the—not even the modernization, but the maintenance of these airplanes, which is very expensive now, is underresourced because we are spending all the money on F-22 and Joint Strike Fighter.

It seems to me that there might be a more logical way, given the observation that we have all had over the last weeks and months of how well we have performed against a fairly serious threat and the recognition that maybe we need to do more in the terms of legacy modernization and maybe move slower with transformation.

I guess maybe I am kind of wandering around here, but I think you get the point. And it is a tough question. I just wonder what your thoughts are on this.

Admiral CLARK. Well, I can't address Striker. I just am not smart enough to—and tuned in to the specifics of the program, but let's talk about the principles that you are addressing.

I think one of the greatest challenges for a service chief is to bring forward the recommendations about how you put the puzzle together and make recommendations up the chain to create a—our term in the Navy is warfighting wholeness, and when we get down to the acid test for us—that is the term we put on it—are we creating the best warfighting wholeness?

And it is different for every system, no doubt about it. I believe that—if you analyze the acquisition process, you can see some pit-

falls that we have had over time. For example, every system that transitions from scientific and technical (S&T) to research and development (R&D) goes through real struggles. The struggle doesn't have anything to do with the development process. It has to do with the funding process. It has to do with the inflexibility of the—being able to move money from S&T to R&D, and vice versa, and so that you are—so you can proceed smoothly.

So every little perturbation causes a big problem in industry, because industry has a team put together that something is developing, now it gets perturbed, sometimes for 2 years, because the budget proposal that is before you right now in 2004, you know, I was working on that 2 years ago. This is something that if we are going to—if we are going to modernize our acquisition system—and I absolutely believe we have to if we are going to have—if we are really going to do spiral development, we have got to have increased flexibility as we create the platforms for the future, and let me use the littoral combatant ship.

There is a revolution right there. The revolution is—goes like this. I am not going to buy a combat system along with the keel of that platform that by the time the keel and the rest of the hull delivers, the combat system is already overtaken by events (OBE).

We have to change the way we think about this process, and there are pieces of this legislation that starts us down this path. If we are going to really be able to do spiral development, we have to have the authorities properly put in place to do this.

Now, I will tell you that I have made decisions—the decisions I have made for my systems go like this. I cut the cord on modernization on DD-963s. There is more real hull life in the platform, but I cut the cord, and I did it for this reason. The 963—I could have modernized it, but it is already way over 20 years old. It was built to be a 30- to 32-year platform. It doesn't have an air defense system in it that will compete in the real world. It is a deepwater anti-submarine warfare (ASW) system. It does not have the kind of combat reach that I get with modern systems. I can't take it into the shallows, because it is too big a ship, and the crew is huge. And so I look at this and I work my business case, and then I come—and when you reverse it back and go back the other way, I go, too many resources to invest in that old platform. I am going to go put my money in—the taxpayers' money in the development of DDX, biggest transformation we have ever seen in terms of the potential that is in that platform with future rail guns and all electric and all of this. Now is the time to make the break and go that way.

So it is a difficult challenge that every one of us face, and Mr. Saxton, every time we face it, every platform is different based on where it is and what it will cost to update it. These are tough, tough challenges.

The CHAIRMAN. Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman, and thank you for holding this hearing today.

Thank you, gentlemen, for being here. I think this has been helpful.

Dr. Chu, I just want to pick at you a little bit. You made a statement in your introductory comments about that this had been discussed with staff members and Members up here for several

months, and Mr. Wolfowitz made that comment briefly yesterday when he was here and was quoted in the paper saying that, but in fairness you have discussions but no paper. My understanding is, while you all may have had your formal written legislative proposal, that Office of Management and Budget (OMB) had not signed off on it, you were not given authority to release it to the Congress. And going back to Mr. Skelton's point yesterday, these are statutory legal changes that are words on paper, and we have no words on paper until April 10th.

I think in our discussions it was an absolutely good faith effort on your part. If you could have given it to us earlier, you would have. Maybe OMB is slow readers, or they had to do their evaluation. As Mr. Hunter pointed out yesterday, these are fundamental changes, and maybe they wanted to review it. But discussions are one thing, but we got no words on paper until at the earliest, I guess, is April 10th.

With regard to what we are discussing today, it seems to me that this is one of those efforts you look at some of these provisions and wonder why they are statutory to begin with, and I am sure there are good reasons for it. I suspect that some of it was because of some past history of abuse. Now, maybe it was 80 years ago. Maybe it was at a different time, but it seems to me as—if the policies, whether they are your decisions or statutory, can keep personality out of it, keep politics out of it, look at both the short-term and long-term effects, not just short-term during your 4 years or Dr. Chu's 4 years, but look at what the effects may be 4, 8 and 20 years down the line, not give up the constitutional responsibilities, I would think that Congress staying out of this as much as possible would be a good thing.

I had a few questions I wanted to ask, and I have not read the study, Dr. Chu, but I am told that there was a RAND study from 2001 that talked about increasing the tenures of general officers, and you have had a good exchange today, I think, with both Mr. Hunter and Mr. Skelton, but I thought one of their conclusions was that there would be problems with the trickle-down effect into the lower ranks in terms of concerns about their ability to be promoted.

Are you familiar with that study? Was that one of their conclusions and concerns, and why do you think—have you specifically addressed that concern or with a different kind of proposal than they were looking at in 2001?

Dr. CHU. I am not sure I am familiar with the specific conclusion of the one you mentioned. We have had RAND involved in doing the simulations that were described. That is the basis on which we reached the conclusion that we do need this power to retire flag and general officers at the grade in which they are serving without regard to tenure in that grade for just the reason Admiral Clark so eloquently explained.

The real source of stagnation is not that the O-10s and O-9s might stay a bit longer. The real source of stagnation is how do you manage, as Admiral Clark described, the O-7s and O-8s.

Under present statute—and certainly if we kept the O-10s and O-9s a bit longer as we would like to do, you do have a phenomenon that people have to stay on to three years in order to qualify for retirement at that grade. That is not healthy if that officer is

really going to leave service really, and you need to allow him or her to do so promptly once that decision is made.

So that is the key insight that has come out of all of those studies. It is really the O-7, O-8 management that is critical to precluding stagnation. That is the issue that was so properly raised. This issue we are very concerned we do not create a problem with. We think, as I indicated, there were quite extensive simulations of how might the system behave under different rules of the game, that if we receive this power from the Congress, we can not only maintain, but, as Admiral Clark testified, in some cases marginally improve promotion from O-6 to O-7. That is really the key power to preclude that problem.

Dr. SNYDER. Admiral Clark, I wanted to ask you several questions in five minutes. I am already on my yellow light, unfortunately, but you have given us a pretty enthusiastic endorsement of this today.

Let me just run through my three or four questions. Have you had discussions with your colleagues on the Joint Chiefs, and are they as enthusiastic since they are not going to be testifying? I am sure that you have officers that have been involved in this kind of—that are experts in this whole area of who gets promoted, who doesn't get promoted. Have they also had ample opportunity over the last year to look at these proposals, and are you aware of any opposition through the formal proposal that has come before us?

You gave your personal opinion just a short time ago that you are in very strong support of this. Are there any specific provisions that you personally disagree with in this proposal and which—that were not there that you think we ought to explore further?

Admiral CLARK. Let me talk about the chiefs first. The chairman testified yesterday that the chiefs are all in support of this. I have had extensive discussions with Dr. Chu, one on one. I had then—you know, we don't talk about what goes on in the tank, but I will tell you that we had a very frank discussion about all of this in the tank with all the chiefs, with Dr. Chu, and I will tell—I align myself completely with the chairman's statement that the chiefs are on board and are supportive of this. All of the chiefs manage their flag community in ways that are unique to their service, and I haven't talked to the chiefs about the specifics of their case, but I have discussed this also with Secretary Rumsfeld. I laid down here and emphasized in the strongest terms that I have said, I have got to have certain pieces of this legislation to make it work, and this is the piece with regard to the—to one and two-star flags. In other words, you can't get pieces of it and not have that piece of it and make it work.

So we have had extensive discussions. The individual that full-time runs flag matters for me has reviewed this in detail. We have no red flags. We have no red flags. We have all green flags.

With regard to things that I might be concerned about, I will tell you that I support this legislation. There were areas I would have gone further.

Dr. SNYDER. Thank you, Mr. Chairman.

Thank you, gentlemen, for being here this morning.

The CHAIRMAN. I thank the gentleman.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Because the world is changing so rapidly, I have tried to look at past military innovation and figure out what the key things are, and it seems to me, Admiral, that people are the key. You said that in your opening statement, that far more important than what we buy are our personnel policies and the incentives and other things that we have in that area.

And it also seems to me that the exceptions Mr. Skelton talks about prove some of the points that you all are trying to make. Number one is that some of the greatest innovations in our military history have been by those who have been able to stay in their post more than two years. Rickover at Moffett, and there is a list.

Second, if you read some of the history of the Rickover case in particular, he had to go to extraordinary lengths to stay in the service. As a matter of fact, they had to create a special post where he had one hat in what is now the Department of Energy and the other in the Navy, and several powerful Senators had to go put enormous pressure on the White House every time he came up in order to stay on his job.

Mr. THORNBERRY. Now, that shouldn't be the ordinary course of business. It is the exception that shows, it seems to me, that we can do a lot better. But the truth is all my book learning isn't work anything compared to, I think, the very persuasive real life experience that you have helped lay out for us, Admiral.

Let me clarify just a couple points. Mr. Chu, the ten-person exception, is that per service or is that across all the services?

Dr. CHU. That is the Department, sir.

Mr. THORNBERRY. All services. Remind me what is the statutory limit on how many general and flag officers we have now.

Dr. CHU. I would have to go get that number, but it is around 8 or 900.

Mr. THORNBERRY. So we have roughly 8 or 900 flag officers and we can keep 10 for 2 more years and that is all the exceptions or the authorities that the statute gives you?

Dr. CHU. Yes, sir.

Mr. THORNBERRY. Now, I think you mentioned briefly in your opening statement that part of what we have got to figure out is how to compete with the private sector. But have you also looked at private companies and other organizational behavior about mandatory retirement age and limits on length of time that they can stay in a particular post, and is there anything approaching what we have today in the military?

Dr. CHU. Yes, sir, we have. Matter of fact, it is an explicit basis of rethinking our management here. We reviewed the literature. Typically at a minimum, senior executives stay in their post four or five years. The average chief executive officer in recent history, typically it is eight years. It turns out, by the way, to be exactly how long Don Rumsfeld was Chief Executive Officer (CEO), although that was accidental. And it is those lessons especially that have led us; certainly it is the intuition that we need to be purposeful about the time the most senior officers spend in their post and it does typically need to be longer than is now true.

Mr. THORNBERRY. And according to the information that I have seen, the average that O-7, O-8 and O-9 spend on their post is right around 2 years.

Dr. CHU. Yes, sir. We have been through those data. It is invariant, it is two years.

Mr. THORNBERRY. Okay. Let me ask, Admiral, one last question of you. You all have looked obviously at the data, the hard numbers, and how this would work for the Navy and presumably others. On Mr. Skelton's concern about the effect of younger officers, we all have that concern, and you said you did, too. But part of what we are dealing with, and I think you were talking about, this is a cultural issue, not just numbers and dollars and cents, but I think you said the psyche of the organization. What effect does it have on the psyche of an organization for O-5s or whatever, O-6s to look up and see people who are having to spend three years marking time just so that they can retire? I mean, surely that rigidity and that phenomena has an effect on whether young people want to devote—younger officers want to devote their life, and what about the two-year rotation? Do you think there is concern as you are down in the lower ranks that I can't stay anywhere long enough to make a big difference anyway because this rigidity requires me to leave in 24 months? What effect does that have on the psyche of the organization?

Admiral CLARK. Well, there is no question about the fact that the organization observes people up the chain. The psyche of an organization has to do with people identifying how will I fit in this in the future. And so, what I have come to believe is that the winning organizations—and I have studied this extensively, inside the military and out, I have on my Web page the stuff, the books that I insist that my flag community read so that we know what is working in the civil sector, what are the principles that guide the very successful and highly effective organizations.

And the psyche that works is that you are in a winning organization, where performance is rewarded and that the organization fairly does that and it is clear to everybody in the organization that if you perform you are going to get ahead. What I have come to believe about this, the generation that we have today, and by the way, we are having unprecedented success in the people business in the United States Navy. In the 227-year history, it is all the numbers are higher, better than they have ever been in our history. What we are doing is that we are saying this: We are going to give you a chance to prove what you can do. We are going to give you a chance to make a difference. And we are putting appraisal systems in place that are going to assure that you are fairly evaluated and assessed.

Congressman, they are responding to it in a powerful way, and I believe that the points that you make are absolutely correct. I don't believe that there is ever a one size fits all. Let's take the case of Wayne Meyer, my good friend, and we are both from Missouri, that he brings up. Wayne Meyer is a national treasure. He served 38 years. He served much—by the way, it was a totally different system; couldn't do that today. It was pre-Defense Officer Personnel Management Act (DOPMA). Having said that, the Wayne Meyer case is exactly the case we want to be able to perpet-

uate. They are not all three and four stars. Wayne Meyer was a two-star. The individual who is—what we have come to believe is this: The analysis on this shows that when you analyze our positions, we have got developmental positions where people go into jobs and it is a huge development growth experience and you got user positions where you are using the skills that you have developed and now you are really in your optimum productive mode. There are—every job and every position has to be handled differently. The current system is an impediment to that. I need the freedom and a set of rules that allows me to create the Wayne Meyers of the future.

Mr. THORNBERRY. Thank you.

The CHAIRMAN. Thank the gentleman. Excellent line of questions.

Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman, Mr. Skelton. Thank you, gentlemen, Dr. Chu and Admiral Clark, for appearing here today.

We spoke at length yesterday, and it was suggested by many of my colleagues on both sides of the aisle that perhaps we need more time to deliberate on this Transformation Act, and I am sure that you have been working at it for months, maybe years, putting it all together. And we have just a few days to look all of this over. So I wish to ask Dr. Chu to clarify something that he was interviewed on April 30th in The Washington Post regarding the timing of the Defense Transformation Act. And I quote, "As for the quick pace, Chu attributed that to a request by the Armed Services Committee, which may include the measure in the defense authorization bill that it is scheduled to take up mid-May." And this is your quote, Dr. Chu, "The Department is not saying we have to decide all of this in a few days. That was not our intention."

So I would like for you clarify. Do you feel that or are you in support of further deliberation on this bill?

Dr. CHU. We are seeking prompt action, Madam. There is no doubt about that. That is why we came up even before we had language and spent time and included material and testimony, quite unusual that we haven't in my experience had to testify about something where we would come in and answer questions about how we would like to proceed, starting with the early subcommittee hearings. So we favor prompt action. We very much hope that this committee will see fit to include these provisions in its bill. That would be terrific.

Ms. BORDALLO. So what you are saying is, you want prompt action; is that what you said?

Dr. CHU. We favor prompt action, yes, ma'am.

Ms. BORDALLO. So this was a misquote.

Dr. CHU. What the reporter asked is what was driving the specific question we are on and I answered honestly we are trying to be responsive to the processes of the Congress, yes, ma'am.

Ms. BORDALLO. Well, I just find that, you know, you said the Department is not saying we have to decide all of this in a few days. That was not—

Dr. CHU. The Congress—it is not my place to speak to the processes of the Congress. They are a process to which we must re-

spond. We are trying to respond to those processes. The Congress will take—even if this committee does act and includes it in this bill, the Congress will take many months to complete that process.

Ms. BORDALLO. So you feel that further deliberation is—

Dr. CHU. I am not—let me put myself on record. I am not arguing for delay. There are real problems here. I think we need to move on those problems. I am delighted this committee is giving us this chance in the last two days and in the subcommittee hearing in the Civil Service Subcommittee of the House Government Reform Committee on Tuesday. We are eager to see these committees move forward. But the process, as you know, is a long run. You have floor action ahead of you, you have conference, you have enactment, it is a long process. If we don't begin, in our judgment we are not going to get to the end.

Ms. BORDALLO. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady.

Mr. Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman, and thank you, Secretary Chu and Admiral Clark. It is an honor to be with you this morning. One of the concerns that has been raised, or certainly it has been raised a number of times, has been that the services have not fully studied the implication of the proposals for the Transportation Act. And in the newspaper this morning in The Washington Post it was indicated that Secretary Wolfowitz had indicated there were actually more than 100 meetings between members of the Department and lawmakers and their staffs. Can you review for us the coordination and review process leading to these transformation proposals, especially those related to the general and flag officer management?

Dr. CHU. Yes, sir. The general flag officer provisions really emanate from a charge the Secretary of Defense gave to me over a year ago. Really, in some ways the charge began the first day I took office. He is very concerned, has been very concerned for a long time, about the rapid turnover that Congressman Thornberry spoke to so eloquently as undercutting the Nation's ability to do planning and lead its military forces properly. That led to the empirical studies that Admiral Clark provided. We looked at the records of promotion and assignments of general and flag officers since the early 1990s. And we tried to understand the patterns. First, what are we doing now and then if we would like to do something different, produce it better, improve result; what rules of the game could we contemplate that would produce that.

In the final stage, after, I am sure what seems to some like less simulations of alternatives, the final stage was, if these are the rules that we need to live by, the kind of rules that Admiral Clark discussed, what are the statutory impediments to achieving that outcome. So, the last stage of course it leads to the specific legislative proposal. So these proposed changes are enabling; they would permit the Department to reach the kind of goals that Admiral Clark so eloquently spoke to.

Mr. WILSON OF SOUTH CAROLINA. And additionally, this has been touched on by Congressmen Skelton and Thornberry, but the concern about allowing senior general and flag officers to serve until age 68 instead of the current limit of age 62 there will be a suffi-

cient—or would there be a significant decrease in the promotion opportunities for officers in grades below general officer, or are there any studies or other evidence that would subject the impact that the longer service by general and flag officers would have on the promotion opportunities for officers up through the grade of colonel?

Dr. CHU. No, sir. We have no—in fact, below O-6 because the way we have structured this package, we did very carefully simulate what would happen to promotions from O-6 to O-7 and O-8, so on and so forth. Our conclusion is, if the Congress were able to give us this package of powers, that promotion opportunity would be typically the same or slightly better from O-6 to O-7 and about the same from O-7 to O-8 as we enjoy today.

Mr. WILSON OF SOUTH CAROLINA. What flexibility is there in the system being proposed to ensure promotion stagnation does not occur, and are there sufficient slots to fit into this, too?

Dr. CHU. The key provision, sir, is the one that Admiral Clark and I have spoken to, and that is the ability to retire flag and general officers at the grade in which they are serving without regard to the tenure in that grade for the reasons that he so ably explained. I think the insight we developed in this one and a half year or so process is that it is the management of O-7, O-8 positions and the proper management of the positions that precludes stagnation.

Mr. WILSON OF SOUTH CAROLINA. Thank you very much. I yield the balance of my time.

The CHAIRMAN. I thank the gentleman. Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman. Thank you gentlemen for coming. I have one question and then I will yield back. Regarding the joint officer management and joint professional military education portion, I have an air base in my district that has the Navy, Marines and the Air Force. So we are proud of the jointness capabilities that we have. And can you talk a little bit about some of the impediments that you see as far as the educational process goes and the effectiveness of that and in the management portion of this bill?

Dr. CHU. We very much have taken to heart the need to strengthen our joint, especially officer, cadre. One of the issues, however, that has risen has been the requirement in the present statute that in order to qualify, you must first have completed the schooling and then do the joint tour. That is the preferred sequence. There are reasons for operational schedule; for example, what is happening with the deployments to the Persian Gulf region where the officer may have a joint tour first before he has had a chance to have the education. And then, in order to qualify, he or she needs another joint tour, which may or may not be the best assignment for that officer at that juncture. So, to permit us to use the officers to their maximum talents within the constraints of career link, that is one of the issues out here that we are trying to work on. It would advantage, I think, the whole joint special officer initiative if we could qualify those individuals as long as they complete both requirement segments, both education and the tour, but that the sequence is not material.

Second change we value, as I indicated, is the ability to give credit for joint tours to a set of joint experiences that now don't qualify. And that specifically involves situations whereby our policies—we do not allow the tour to be more than one year because it is a non—no dependents go. Korea is the example, or joint task force headquarters which are often a finite period in terms of their existence.

So we would like if you accumulate 365 days in that experience to be able to say, yes, you have indeed had the joint experience we are seeking. We think substantively, both these situations give the officers the joint experience that is the spirit of this statute. But we would like to be able to recognize it in terms of joint specialty qualification.

Mr. RYAN. What is the education component? How long is that?

Dr. CHU. Mr. Skelton, of course, is the national expert on this so I defer to him. But basically, they have to complete a course that follows their war college course that gives them the joint specialty background that they need.

Mr. RYAN. I don't know if the gentleman who asked before this, if you were talking about this specific portion of the bill, too, the Defense Acquisition Work Force Improvement Act streamlining. Is that what you were referring to in the last line of questioning? Was that—did he ask you that question?

Dr. CHU. No, sir, I don't believe he did.

Mr. RYAN. I was reading through it here, and as far as having the ability to vary tenure on critical acquisition positions, can you just talk for a minute about that?

Dr. CHU. Yes, sir. We just—we have benefited greatly in this department from the Defense Acquisition Work Force Improvement Act. We have learned some lessons from that. It also needs to be modernized, brought up to the present date. And these changes are intended to accomplish that end.

Mr. RYAN. Okay. No further questions, Mr. Chairman. Thank you very much.

The CHAIRMAN. I thank the gentleman. Mr. Cole.

Mr. COLE. Thank you, Mr. Chairman. Secretary Chu, having given you a hard time yesterday on the civilian front I want to tell you how much more pleased I am with this particular set of proposals for a variety of reasons. First the process, I think—while I think all of us would have liked—you always want things as far ahead in advance as possible. I feel like at a congressional level we have had much better exposure to this, the subcommittee's level, much better discussion. Frankly, I am very impressed with the change you have had with the uniform personnel, as well. I think you have talked to your stakeholders and your partners, so to speak, that perhaps was not done in my opinion at the other level. So I think it is generally an excellent set of proposals.

I must say, drawing a personal parallel, there was a time in my political career I was enamored with term limits, and now that I am 54 and have arrived in Congress, I am seeing the wisdom of age and experience more clearly. There are a couple of things: One, I want to commend you on and pursue a line of questioning. First, I was particularly pleased on the Reserve components. You were talking about medical and dental. Just visiting with my uniform

personnel at Fort Sill, commanding general down there told me during the mobilization process, as they were bringing in units, he said I learned more about teeth in 30 days than I ever want to learn in a lifetime. It was a real problem for them. They did a great job as always, but being able to address those problems earlier and more thoroughly and, frankly, more regularly I think would be an enormous benefit when the time comes. They seem like they are little things, but I am sure they are not when you are dealing with them. So I commend you on that.

Second, you mentioned you are requesting the authority to call up involuntarily for up to 90 days for additional training. Number one, tell me, if you would, what in your current experience—because we agree the reserves seem to have done extraordinarily well; and again I hear from both sides of what used to be a great divide and is not so much of a divide anymore and that pleases me enormously. What prompts you to feel the need to do that, given the success? If you could respond to that first.

Dr. CHU. It is very much the real world experience of the formulation of the force that was actually sent to Southwest Asia in the most recent operation. As we began contemplating the potential need for military action, one of the issues that we were starting to run into is how well trained is this unit. Does it have all the skills it needs? How long will it take to get that skill level? No decision was made by the President that we are going to use force, so it put the Department in a frequently difficult position in terms of being ready. We might know of unit needs that is not the fault of the unit. It may have been—frequently was the result of the resourcing process. So it is not that the people are inadequate, it is just that they had not had the chance to do the type of training that would bring larger units together. The individual skill set is fine, the small unit, let's say platoon or company set, is fine but the battalion or the larger unit has not had a chance to train together.

So the purpose of this would be to allow us to say we have not made a decision that this unit is going to be mobilized. We have not made a decision we are going to use any unit, but if the country should call upon us, it may call upon us on short notice. It would be prudent as a matter of military planning to be sure this particular unit was a little higher on the step, and that is the purpose of the provision.

Mr. COLE. Well, I find your reasoning very persuasive. Let me ask you this: The problems I foresee are frankly personal problems that relate to the reservists and their employers. Do you have any set of proposals in terms of easing the burden for relatively short-term call-ups, whether it be, you know, for an employer tax incentive for military families or reservist families with health care, those type of very practical issues? You are going to have a whole range of them if you are bringing up people there that way. I wonder how much thought has been given to that particular part of the problem.

Dr. CHU. We are paying very close attention to it. Those are very significant issues, sir. As a result of that deliberation, as I know you are aware, we have already changed our rules, helped by some powers that Congress gave us last year, on health care for reservists. Basically, if you are called up for more than 30 days, you get

the same package the actives get. In fact, in this mobilization we gave the reserves a little bit better package because we hadn't got to this conclusion. But with this conclusion we put everybody on the same level playing field so that we will be in good shape going forward.

On the larger question of what else we ought to do, let me say two major issues: First, the Congress has asked us for a study of Reserve compensation, which is due this August. I think I would urge that that be our vehicle for a cohesive debate about the right set of answers rather than piecemealing the answers at the stage in advance of those results. That effort, we hope, will be informed by a survey of reserve personnel, which is being conducted this month. It is a Web-based survey; it is very much focused on the experiences of the current mobilization. What happened to you? How does your income compare with your civilian income? How much notice did you get? That is one of the issues that has arisen. So I think by toward the close of summer we will have a lot more evidence to make decisions about what is needed.

I do want to note that the employers of the Nation have really answered—especially some of the major employers—have really answered the country's need with their own voluntary decisions. Had several major employers celebrated in ceremonies, one this week with a major corporation. There are more planned. I don't want to endorse any one company, so let me avoid naming names. But I do want to emphasize they include some of the most important corporations of American life, who recognize this as their contribution to the national effort, and I think it is something we all collectively should celebrate.

Mr. COLE. A couple things: One, I commend you very much for your efforts in terms of determining from a reservist standpoint what their needs are if we are going to move to this kind of system on a more regular basis. And second, I appreciate your expression where employers are concerned. I think it is important they ought to be recognized, and frankly, most of the ones I know want to participate. I would ask you as we move toward August to think if there are some specific things that the Congress ought to consider. You know, clearly we put an enormous strain on a lot of police officers, I can tell of a lot—in Oklahoma we took 12 people out of the police force. They were all happy to go. The force was very supportive of that. But it was an unusual strain for them. And I am sure that was repeated in a lot of places around the country. And I worry larger companies have the resources to do things; smaller companies sometimes don't with the best will in the world.

What I would like to know, that we have at least thought about seriously, is how do we make it easy for that reservist to reenter where he was at? I do not want somebody in the process of serving their country to sacrifice their civilian employment again just because they slip through the crack and they don't work for either a public entity or a large enough corporation. So I would really urge you to think about that, and certainly I will be trying to do some thinking about that. But I would love to have a dialogue on that point as to what we can do, because if we are going to do this, it will make a difference to a lot of employers. I don't want to do something that detracts from your ability to recruit and retain.

And that means we have got to make it easy for these folks to leave and easy for them to come back.

With that, I yield the balance of my time.

The CHAIRMAN. I think the Admiral had a response.

Admiral CLARK. 30 seconds. The issue of the ability to surge is, I believe, of great strategic importance, and this measure with regard to dental benefits and these kind of issues is a key thing. I think when we get all the lessons learned on Operation Iraqi Freedom we will come to the issue of speed and agility. There is a time when the military operates in support of diplomacy. In order to do that, the speed is of great importance. The ability to surge large numbers of forces rapidly is one of the lessons that will come out of this operation. You know, our time lines dramatically improved over what we were able to do in Desert Shield and Desert Storm. This provision is critical to our ability to give the Commander in Chief options and the ability to surge forces that shows a potential enemy that we mean business. So I believe that this measure is very, very important.

The CHAIRMAN. I thank you. I thank the gentleman from Oklahoma.

Mr. Taylor.

Mr. TAYLOR. I want to thank you gentlemen for being here. A couple inconsistencies, Dr. Chu, that I would like to point out; give you the opportunity to respond. Yesterday, the chairman made a very good point that Marines don't have any place to practice amphibious landings; that because of, I am told, environmental regulations on the bases, they have to take a bus across the beach. Given that, how does the Department justify giving away 13 miles of beach that the taxpayers paid for that was available for that type of training on the Island of Vieques? They are not making any more beach. It is hard to buy, the environmental rules will take years. We had 13 miles of beach, and apparently your Department just decided to give that away.

Dr. CHU. That was, as you know, sir, the subject of considerable debate. A decision was reached, as I appreciate the outcome, that we could find adequate alternatives. I think that was the certification the Secretary of the Navy offered on that point. And it really is ultimately his judgment as to whether those alternatives would give the Navy comparable experiences.

The Department always would like to have as many alternatives available as possible. We recognize in some cases that is not going to be feasible.

Mr. TAYLOR. Nothing to do with kowtowing to the Hispanic vote?

Dr. CHU. My understanding, sir, is that the decision was made on its merits.

Mr. TAYLOR. Political merits? Doesn't strike me as defense merits in having studied the issue probably as much or more than anybody in this room. I would like to go on record that this administration, as well as the previous administration, have hurt national defense for the sake of the Hispanic vote, and I find it strange. And now, all of a sudden, we have to throw all these environmental rules out the window, because you don't have a place to train and you just gave away 13 miles of beach on land that the United

States taxpayers have paid for and have been in their possession for close to 60 years.

Admiral Clark, how many ships do we have in the fleet now?

Admiral CLARK. 302.

Mr. TAYLOR. How many did we have when your watch began?

Admiral CLARK. I believe 310.

Mr. TAYLOR. I think it was a little bigger than that but I will cut you some slack.

Admiral CLARK. I will check my number.

Mr. TAYLOR. How many Admirals did we have when you began your watch?

Admiral CLARK. Fundamentally the same number I have today.

Mr. TAYLOR. Which is?

Admiral CLARK. The ones that are paid is in the vicinity of 200. I have a number in the category that I say are frocked that are not being paid.

Mr. TAYLOR. So, it is your thought it was in excess of 400?

Admiral CLARK. I was talking about the ones on active duty. I will be glad to show you the numbers. There have been no major changes in the flag community since I took office.

Mr. TAYLOR. Let me ask you this: Are you going to go online as saying we have more admirals than ships or fewer admirals than ships?

Admiral CLARK. That is a real interesting line of discussion. I don't think it has any relevancy at all.

Mr. TAYLOR. Well, I asked the question. I am a Member of Congress. I was elected to represent 700,000 Americans. I think it is a very relevant question, Admiral. I would prefer a straight-up answer.

Admiral CLARK. Here is what I believe is the way to explain how many admirals you need. You need admirals to command certain size of troop structures. So you need them for that. But if you evaluate the number of Admirals based upon how many ships you have, I would suggest that the world we live in today—and if you compared it with, let's say, World War II, there is no comparison. You need admirals to run development programs that are creating new combat capability. The degree of complexity in the acquisition world today is how many dozen times to one more than it was in World War II. So if you are going to develop complex systems, you need a very capable individual to do that. So with the number of systems that we are talking about, you might then build 1,000 ships or 300 ships. But the systems are what is driving the requirement for flags as opposed to the number of ships. And that is why I don't believe that it is the right measure to use. I mean—so I made my comment not to be flippant at all. I don't think it is the right measure.

Mr. TAYLOR. Again, Admiral, I would like to go on record that I have heard you say we can get by with fewer ships, I have heard you say we can get by with fewer sailors. I find it inconsistent that we say, you know, we need this many admirals. And I appreciate the work you have done to eliminate the practice of cross-decking. I think that is great. As one Member of Congress who does indeed represent 700,000 Americans, who is concerned about national defense, I wish you would put as much effort into maintaining the

375-ship Navy that you said we need as you have put into your efforts to take care of the O-8s and O-9s. I am using this opportunity to say that.

Admiral CLARK. May I respond?

Mr. TAYLOR. Absolutely, sir.

Admiral CLARK. I absolutely believe we need to move toward a larger Navy. I would never stand, sit before you and say that I want fewer ships because I just want fewer ships. The judgments that, and the recommendations that, I made in the submission of the budget this year that leads us to fewer ships, I do that specifically so I can move this Navy to the future. And if I cling to old ships for the sake of numbers, I believe that—I sub-optimize my successors in their ability to provide options for the Commander in Chief.

And so, here I sit, and I have to make some judgments, and I don't pretend that they were easy judgments to make, but I made them. And so I have outlined in formal submission to this committee what I think 375 ought to look like in terms of the mix. And I stand foursquare behind the belief that that that is where we need to go.

I want to say that this administration has allowed me to put that number out there and put that stake in the ground. I am appreciative of the fact that I have been given that degree of freedom to talk about what I think the Navy ought to look like in the coming years. But I can't get there from here. We have to get on a path to it. And so I take your point, and I hope that you are able to take mine.

Mr. TAYLOR. I take your point. I also remind you that you don't get to 375 by retiring more ships than you are building, and that is precisely what is happening. And from what I can see, it costs about \$50 million a year to operate a cruiser. You are getting ready to retire five of them that the taxpayers paid close to a billion dollars apiece for. I am told that the logic for this is that we can retire these and with these savings buy newer ships. Well, at that rate you would have to retire 20 for every one you purchase.

Now, the ship you purchase is also going to require a crew that has to be paid and fed. It is also going to require fuel. So it is my hunch the one you purchase is also going to cost 50 million a year to operate. So I really would have to point out that I don't buy the logic that you are going to retire enough ships to buy that one and that that one is going to make up for the 20 you retire. Because the world hasn't shrunk. There is just as much space out there as there always was, and you need a presence.

So, I again would like to go on record that if you say we need a 375 ship Navy, and if they are going to last about 30 years apiece, then I would certainly hope in your budget request that you would ask at least for 10 or 12 of them, which gets us to 360 at 12. You have requested 215. If you can retire them in less than 30 years, which you are doing with these cruisers, we don't get to 150. I would hope one of the legacies you leave those who follow you is a decent size fleet.

Admiral CLARK. One of the things that has to happen is that I get to deal with the circumstance as it came to me. In my next proposal that comes to the Congress you will see a midlife upgrade for

virtually everything we own. The midlife upgrade on the cruiser program should have happened a long time ago. And now we are in a position that I do the analysis on the investment required to sustain platforms and I make the—I have to make an affordability judgment. If there was a way—and fundamentally we are talking about affordability issues. If I hadn't been faced with affordability trade-offs I would have made the recommendations in another way. But let's get right down to it. The business case on this has to do with how many years of life you are going to have left for the investment you make. This decision is being made too late in the game. So, the next proposal that you see coming up in follow-on years is that there is going to be a midlife program in for every one of what appears to be the new ships today that if you don't do this correctly at the right time in the cycle, you get to where we are today with not enough years left to make the investment pay, and that is the difficulty of the financial competition that we are in.

Mr. TAYLOR. So, in your next budget request we are going to see this? It will involve—

Admiral CLARK. This budget, the 2004 budget that is before you, has the rest of the Aegis cruisers with a mid-life upgrade program in them that are not so far along in the age of the basic platform. The baseline ones are at a point that in order to make it pay, you are already well into the 20s, so you are making an investment for 8 to 10 years of life in the platform. And when you got to the affordability decision over the several billion dollars that you are talking about to upgrade those platforms so that they are competitive platforms for the remaining years, it was fundamentally too late in the game, too late in the life of the ship. So this year please support us in our attempt to get the mid-life program in place on the rest of that class of ships.

Mr. TAYLOR. Thank you, Mr. Chairman.

The CHAIRMAN. I would just inform my colleagues that the flag cap for the Navy is 216 under the law, and for the Army 302, the Air Force 279 and the Marine Corps 80.

Let me see. At this time we have gone—everybody has had an opportunity to ask a line of questions. Let's take a second round and let's start with the ranking member, Mr. Skelton.

Mr. SKELTON. I was hoping, Dr. Chu, that you would answer my question of yesterday about the different qualifications for chief of the service. And I point out that the book that you gave us with the proposed law reflects that in 2006 a colonel could be the Commandant, that a one-star or brigadier general in both the Army and the Air Force could be the Chief of Staff, but you have to have two stars and have sea service behind you before you could be the Chief of Naval Operations. And we discussed this very briefly, and just before the hearing you indicated this was a historical listing. Am I correct on that? So my question would be should they all not have the same qualifications?

Dr. CHU. Thank you, sir. As I indicated yesterday and double-checked last night, the specific language you are citing is language that has been in the statute for some time. When we came to amend the statutes we focused on amendments on the changes we need, which is the flexibility that Admiral Clark and I have testified to. We did not change the underlying guidance of the Congress

which goes back some distance in history. We are researching just how far back that guidance from the Congress goes. The guidance is in the form of from what pool of officers must you choose. It is not that the person is going to be a Colonel and Commandant. In fact the law specifically provides it will be a general O-10. The pool can include anyone with a grade of Colonel or higher but not lower. And there is similar language, I should point out, for the Army and the Air Force, if I recall correctly, must be chosen from the general officers of those two services.

Mr. SKELTON. Which means down to Brigadier?

Dr. CHU. Which means starting with Brigadier. The pool of people you may consider, the post itself, as you know well, sir, carries an O-10. So as I testified yesterday, that comes before the Senate, nominated by the President, as an O-10. So this language goes to what pool might we consider. We did not see any need—this gives great flexibility to the Department, but we didn't see any need to change that, and it has been the position of Congress these many years that that is the pool we should consider.

Mr. SKELTON. Let me ask, when Congress passed the DOPMA, the Defense Officer Personnel Management Act, all officers were considered and laws passed thereon. The current situation, the current request addresses only one group of officers; that is, the flag officers and not the majority of other officers. Should this not be more comprehensive?

Dr. CHU. We believe that this problem can be solved, as I testified, on its own. It can be solved in a way that does not affect the others. We think it is a matter, just as Admiral Clark testified, central to our ability to transform the problem, going forward to be able to solve these problems, particularly as I think a number of expert commentators have observed, tenure in the post, ability to design, effect and see change through is a key component, as Mr. Thornberry observed, in achieving a different organization in the end. You can't do it with two-year rotations.

Mr. SKELTON. I earlier expressed my concern about the O-5 and O-6 level of people getting discouraged. What about those that do become one-star and two-stars, and they look up and see the pool of three and four-stars in their service staying much longer and maybe trading places and the like? Will that not discourage the best and the brightest that have potential to be three and four-stars to get out at the one and two-star level?

Dr. CHU. No, sir. We don't believe so, specifically because of the provision we have discussed this morning. We would hope to make prompt decisions about who is going on to three and four-star range. Those decisions I think actually energize the pool of officers we are discussing; in other words, they don't have to wait forever to get to the top.

One of the issues that Admiral Clark so courteously discussed by allusion in his testimony, we are often waiting until too late to make these decisions. Then the officer doesn't have the running room to in fact exercise the powers of the senior post and see through to conclusion the kinds of changes that we are seeking.

I think this is going to be inspirational. My experience is the more junior officers, the O-5s, O-6s that you have discussed, the O-7s and O-8s that you were mentioning in your question and the

most senior officers see them move from being Commandant and Supreme Allied Commander Europe (SACEUR) and Commander for the European Command I think inspires people, realizing that the very best are being given a repeated chance to serve their country. I think that is heartening to all concerned.

Mr. SKELTON. Admiral Clark, you know what my last question of you is. All the other officers, the other services, should they reach flag rank, go to an intermediate war college and go to a senior war college or the equivalent, whether it be a master's degree in a certain recognized university or a war college in England or some other country to become flag rank. I can think of no exception in the other services. The latest figures I had for the Navy is that 8 percent of your flag rank have two intermediate and senior level war colleges and 46 or 47 percent have one. And I understand we have discussed this many times. Are we making progress on that, Admiral?

Admiral CLARK. We are making progress and it is not just the intermediate schools, but also graduate education. And fundamentally, we have to—we must do better in this area, and the way we are handling it is that we are talking to our whole Navy about the requirement to commit themselves to a lifelong learning process. And I have established some things to accelerate the process at the senior level, courses at the graduate school to help grow my executive core. But in the middle of this, my service as an expeditionary service is on the go. And it is the nature of our profession. It is my conviction that we have to have more—we have to have additional end strength committed to space that allows us to do better in this area. And in the process of this last year, as we looked at areas where we were going to be able to save some billets—and that is part of the transformation process, figuring out how to make the best utilization of all the resources that we have—I directed our Chief of Naval Personnel to commit a number of additional billets that will then be committed to this area of endeavor.

Yes, we have talked about this often, and I am committed to moving in that direction. I won't be able to write this overnight, but this is a journey and we are on it.

Mr. SKELTON. I think you are right, regardless of one's profession, it is a learning process or else one becomes stagnant. I am in the process of—well, let me go back. I have through the years, as you know, worked with war colleges of intermediate, senior, et cetera, and obtained required book reading lists from each of the services and the war colleges. And without being presumptuous, Admiral, I have done a bit of reading through the years myself, and I will soon produce a suggested reading list for military officers of our Nation based upon three things: Number one, leadership; number two, character; and number three, military art. And when I complete that list, I will see that you are the very first one to get it.

Admiral CLARK. Thank you.

Mr. SKELTON. Thank you.

The CHAIRMAN. Thank the gentleman.

Mr. Saxton.

Mr. SAXTON. Mr. Secretary, Admiral Clark spoke a few minutes ago about the importance of our ability to surge. How are the provi-

sions that you have included on reserves compatible with the need to surge, particularly with regard to reserves?

Dr. CHU. Yes, sir. Thank you for the chance to respond to that point. It is very important to be able to be sure that people have the right medical and dental readiness. As you know, in past mobilizations it is often the case people are called up and it turns out they have real teeth problems. You don't want to send them forward in that circumstance. That is why we would like the authority, even absent any mobilization decision, to expend public funds if necessary to ensure that particular unit members are up on the step in terms of medical condition so that that is not a factor that slows down the surge process.

Likewise, as I testified in response to Congressman Thornberry's question—I am sorry, Congressman Cole's question, the ability when we are in the planning mode to be able to take a reserve unit that may need some additional training to come up on the step—again I don't want that to be seen as a criticism of the reserve components or that unit, be sure it is up on the step—so when the decision is made, there is no long period of preparation that is necessary. And, I think, exactly as Admiral Clark said, the political leadership of the country is going to make a decision. Our job is to respond in the shortest possible interval in that decision. That is what these kinds of decisions are ultimately all about.

Mr. SAXTON. You mentioned, and I didn't quite get the context—you mentioned a 12-week training requirement. Would you expand on what that is?

Dr. CHU. Yes, sir. Coming off of having the experience in Second World War, our combat soldiers were deployed with too little training. The Congress mandated that before you deploy overseas you must have 12 weeks of training.

Mr. SAXTON. Total.

Dr. CHU. That is a minimum. You must have 12 weeks of training. It is in the statute. We cannot deploy an individual overseas who has less than 12 weeks of training. As we come to look at using direct appointments to the reserve as a way of getting civilian skills promptly into our ranks that we might need, it is clear that this is something we would like some flexibility on. Take linguists for example. We have an urgent need right now for people who speak Arabic, Pashtu and Urdu. We need to appoint those individuals to the reserves with their understanding they can be called to active duty promptly. Under present law, when we think they are ready to go, they are certainly ready to go from the linguistic perspective, we will certainly give them minimum training they need in order to participate successfully. We have to continue that training period for a full three months before we could send them to Iraq for the reconstruction program, and that is the kind of thing we would like a little bit more flexibility on.

Same thing is true of other highly specialized civilian skills. We are about to announce the availability—we are in the process of developing a program for Spectre management, very technical civilian skill. Again, if we need to deploy the individual overseas we may not have enough time in this particular area to give everybody 12 weeks training, but it is necessary to give these people 12 weeks training. So the question is in being a good steward of the tax-

payers' money—we would like flexibility to deploy such people without the 12 weeks.

Mr. SAXTON. And I know that you spent an extensive amount of time studying and understanding and evaluating the mobilization process. Any changes there?

Dr. CHU. Yes, sir. That is an ongoing review, as you know. The Joint Staff is deeply involved in that. The Chairman has been—and the Vice Chairman—tasked by the Secretary to look at that mobilization process.

First, I would like to observe that it is a credit to our Reserve Component personnel, that in my judgment that is the finest mobilization we have seen in the history of the country. We didn't always do everything just right, I would acknowledge, in the Pentagon, but our people responded and made up that difference.

What we are really looking at is what our internal procedures look like, how do we manage, how do we breathe a cohesive approach to this critical ability to meet the Nation's needs. We haven't completed that. I think it would be premature for me to speculate on what kind of changes would be forthcoming.

Mr. SAXTON. But do you think things went pretty well in this latest mobilization?

Dr. CHU. I am impressed at how our people did.

First, it demonstrated, I think, to the Nation that this is a volunteer force, just as the Active force is a volunteer force. The old image that the reserves were somehow a little bit reluctant to serve, might push back, might attempt to evade their responsibilities, that is dead wrong with today's force. These people want to serve, even when it is clear that this has been inconvenient for them, where we might have used them better. Their response in my experience has uniformly been, I understand. I just want to do what the country needs.

I am struck in terms of, for example, exemption mobilization. It hasn't been individual reservists pressing us for exemptions. It has been particular employers pressing us. I have had employees come to me and say, "Please deny the exemption. I want to serve. I want to go on Active duty. I want to be with my unit."

And I am so impressed with what they have done, what they have achieved. I am impressed with how the mobilization process went at the places I have been able to see, such as Fort Dix. They beat the Army's timelines in terms of getting people out the door on average. It was a significant achievement.

Mr. SAXTON. On the time that we spent together at Fort Dix, one of the issues that came up was that we were putting people through the mobilization process. It appeared that the war may—it appeared that the war may have a life span of less than we originally thought, and we had folks that were mobilized up and trained up and their units were not going to be deployed. How did that work?

Dr. CHU. Well, that is the process we are still sorting through. The principle we are following is that if the union is not really needed, we should demobilize it properly. We are trying to move to do that. I have been trying to encourage as much as possible a volunteer spirit about this. However, you have some individuals who already made personal arrangements that lead to a situation where

they would like to stay on active duty longer. And we have said that if someone wants to volunteer, and the service has the need and the funds, it is fine, as long as it is truly volunteer, as opposed to involuntary decisions of one sort or another. Those who want to go home, however, are home. Our stand is, let's get them home just as soon as we can.

Mr. SAXTON. Thank you.

The CHAIRMAN. I thank the gentleman.

Dr. Snyder, do you have other questions?

Dr. SNYDER. I do, Mr. Chairman. First to Dr. Chu and then to Admiral Clark, and it is on the same provisions of these Sections 112, 113 and 114 that have to do with the extension of terms.

And Dr. Chu, I have a summary in front of me that gives the—but I don't have the statutory language right in front of me. So would you explain how this would work if—well, I will use Admiral Clark. He has been in for over three years now. He is coming up at the end of his four-year term of service. The President wants to keep him on.

Specifically what, under the language of your proposal, does the President have authority to do? Is it to extend him another four years? Is it to extend him for a term of years that would be set by some kind of letter or order, or would it be, he is going to keep him on, and we will let him know when we don't want him around anymore?

What specifically is the language of the proposal? And I assume the language would be the same for the chairman and vice chairman of the Joint Chiefs and for the senior leader—for the CNO and others.

Dr. CHU. The attempt here, sir, was to make this as simple as possible. We want to deal with two issues really. One, is that for the service chiefs, if Admiral Clark would agree, there is a bit of a guillotine at the end of four years. That is it. Unless Congress has declared war or national emergency, we have no authority to extend you under present law. That wasn't always the case. The exception since World War II is Admiral Burke, who did serve six years, I believe, as CNO. That is not feasible under current law, and so we want to make it feasible.

Again, back to the point of how long should someone be in these posts, would it make it feasible, if it is appropriate, to have more than four years? And so, the proposed language would say—reconfirms, of course, what we all know, he, referring to the Chief of Staff, serves at the pleasure of the President. The President may extend the length of the service as he deems necessary. So there is no fixity in the term.

The second issue dealt with in these provisions is that, with the exception of the Chairman and Vice Chairman, where we continue the notion of specifying the term, our recommendation is that we not specify—we can specify four years for the chiefs, I might add, in our recommendation, but beyond that, we propose that we not specify terms for this whole—a host of other officers, several of the medical officers, for example, have a specified term of three years, and so on and so forth.

We think that has been counterproductive. It leads in any organization to those who don't agree with the leaders' views, to judg-

ing that, well, he or she only has three years. I can outrank him or her. And so we would like this to be a situation where the organization understands this is the leader. This person might be here longer than you are. You better respond to his or her direction and leadership that he or she is providing. And so, that is the spirit behind this set of changes.

Dr. SNYDER. Let me ask you, Admiral Clark, do you have any comments on that, right now before I—

Mr. CLARK. Well, sure. Look at it in a fashion of the way you do—you manage the whole flow through various key assignments, and the way it really works is that it is always—you know, there are very few real senior officers, and so let's say that they pick the individual that they desire to relieve me, but there is a timing issue because someone is caught in a critical job and there is something going on in the world, and it really would be better if we did it three months later. The law says it is a day-for-day cutoff. That is not the way it ought to be done.

So I view it as the kind of flexibility to even move it a few weeks just because it would be better for the way all of the pieces of the puzzle are going to fit together.

I also think that—and here is what I have come to learn in this job, learning how to put together a 21st century human resource structure, is that effective leaders are constantly evaluating and assessing key individuals in the organization, and I have got—Mr. Skelton, my required reading list has my three and four star officers reading what the really successful people in the industry are doing in just this field. How they assess the strengths and the skills of their executive corps, and what are the characteristics that best fit them for another post and assignment.

And it is my view that this gives the Chief the kind of environment of setting to sit down with the Secretary of Defense and say, "Okay, here is the way we see the landscape," and, by the way, I will tell you, I am doing this with the Secretary of Defense today. I take my book down there, and I give him my lay down, but there are certain encumbrances with kind of fixed lines of the way Dr. Chu said, with regard to the expectation, that it is going to be this kind of a length of tour.

So, I believe really what we need is just the flexibility to not be caught up with some arbitrary deadline.

Dr. SNYDER. When you say, "We need"—the President needs?

Mr. CLARK. Well, and we collectively in the Department and the President, yes.

Dr. SNYDER. Well, because I am asking specifically in these Sections 112 and 113. They are the highest ranking—

Mr. CLARK. Yes.

Dr. SNYDER. Mr. Chairman, not to belabor the point. I am trying to get a sense here—I made a comment about making sure we don't repoliticize a process. I remember the Commandant General Krulak was sitting there. Duncan Hunter asked the question about, if you don't get certain additional monies, and General Krulak, in the spirit of candor said, "Well, we won't be the 911 Force. We will be the 91 Force."

Now, I am not sure he would have had that much candor if he had been working under a provision where he had been—his term

had been extended at the pleasure of the President, and he was really hoping to stay on for three or four more years and was three months into this new extension, would he have been quite so candid.

I am just trying to get a sense of how this actually would work. Would there be some possibility of repoliticizing a process where, you know, we are going to keep you on at the highest the CNO, but you need to be advised we expect you to carry the water a little bit more for this President.

I mean, word has a way of getting around. I am just trying to get a sense of, would it be better off to say, yes we are going to extend you, it will be for six months or three years or four years, but this is it, not at the pleasure of the President.

Dr. CHU. If I may, sir, all officers serve at the pleasure of the President, notwithstanding the specification of these terms in the law.

Dr. SNYDER. I know, but that is under, you know, pretty extraordinary circumstances to have someone get a term——

Dr. CHU. It has happened within memory. General Dugan was relieved by the President of the United States in the first Persian Gulf war, so it is not an unknown situation.

Dr. SNYDER. I understand. Thank you.

The CHAIRMAN. Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

I am interested in Section 122, which has to do with retirement pay for grades E-8, E-9 noncommissioned officers versus the regular general and flag officers.

The transformation proposal seems to suggest that some non-commissioned officers in grades E-8 and E-9, who have served beyond 30 years, would be denied the benefit of receiving more than 75 percent of their active-duty basic pay in retired pay. The language requires the Secretary of Defense to designate those non-commissioned officers, if they can or cannot receive the enhanced retired pay. And there is no similar requirement for such a designation for the general and flag officers before receiving more than 75 percent of their active-duty pay in retirement pay.

I am just wondering, could this difference in policy lead to criticism that the proposal favors officers? I mean, I feel that non-commissioned officers who have served 30 long years, you know, in service—I don't see why the Secretary of Defense should be the one to come in and designate who is to receive and who is not. Could either one of you answer that?

Dr. CHU. I think perhaps there has been a misreading here on the part of your staff. Present law limits everyone to 75 percent of base pay as the maximum retirement annuity. The provisions proposed here would allow that cap to be lifted for general flag officers and for such E-8 and E-9 individuals as the Secretary, by regulations, might prescribe. So the proposal is to give an additional annuity recognition to the general flag officers and to at least a subset of those in the grades E-8 and E-9.

Ms. BORDALLO. So then, the Secretary of Defense doesn't come in and designate which officers in the noncommissioned ranks——

Dr. CHU. No. The proposal is carefully constructed to be thoughtful of the taxpayers' money. So it is limited to the—as we have dis-

cussed, the very small set of general flag officers that we have in the country, and recognizing also the longer service of some E-8s and E-9s to a subset of the E-8, E-9 community, under such regulations the Secretary might prescribe.

Ms. BORDALLO. What do you mean some? Can you explain that?

Dr. CHU. Not all. In other words—

Ms. BORDALLO. Yes, I know—

Dr. CHU. It is not our judgment that it would be appropriate necessarily to—

Ms. BORDALLO. Who makes that judgment to—

Dr. CHU. The Secretary would make that judgment. Under present law, no one—we underscore that—no one gets more than 75 percent.

What this is proposing to do is to recognize the longer service that we are inviting general flag officers to provide the country by honoring them with a more generous annuity by allowing, in other steps, the multiplayer to run beyond the 30 years.

Ms. BORDALLO. Why couldn't the benefits be extended to both sets?

Dr. CHU. That is what we are proposing to do, is that selected E-8s and E-9s—

Ms. BORDALLO. I don't think so, Dr. Chu. You are saying that the Secretary of Defense will designate some. So that is not the entire group.

Dr. CHU. That is correct. That is what I stated.

Ms. BORDALLO. Well, that is my—I said, wouldn't this proposal then look like you are favoring the flag officers and the general officers over the—

Dr. CHU. I think if you look at the numbers, if you look at the numbers of the E-8s and E-9s, which are limited by law to one percent, two percent total enlisted force, which is therefore a somewhat bigger pool; that this is a balanced proposal in terms of the numbers of the individuals, potentially, who will receive this benefit.

Ms. BORDALLO. I see. Well, I feel it is discrimination, you know. I think that if you reach that rank, you have served these many years, that you should be receiving the same benefits that the general and flag officers receive and not just designate some.

Dr. CHU. You are dealing with a large pool of individuals, ma'am. I think—

Ms. BORDALLO. Even if the groups that you are going to designate to receive the higher pay is the larger percentage, but still it is discrimination. The benefits should be the same throughout. I mean, it looks as if we are favoring one group of officers over the other.

Dr. CHU. I don't think that is the case, ma'am, but I understand that you see it differently.

Ms. BORDALLO. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlelady.

And we probably ought to wrap up and let our next panel get to work here, unless somebody else has any compelling questions.

I think it could—yes, Admiral.

Mr. CLARK. There were notes I wanted to get to as questions were asked, and I didn't get a chance to respond. If I can on two points?

The CHAIRMAN. Go right ahead.

Mr. CLARK. One is joint credit. I would like to stand in support of the Joint Credit Proposal for this reason. I believe that the existing structure really does not align with the kind of experiences that we are having today, and I give you this example. For myself, I was a captain, and I was the director of the Crisis Action Team in Desert Storm. I was selected for flag, and the rules said I had to be in that job 24 months before I could get joint credit. I had a graduate education and joined this, but there is no way they were going to leave me there for almost two years waiting as a captain. They sent me off to be an admiral.

The proposal in the legislation suggests that we take people that have truly unique experiences on joint task forces, and so forth that are at the height of jointness, and with a much lesser time, we consider them to be joint qualified officers. And I believe that our history and our experience really proves that that is a very, very wise thing to do.

The second thing I want to talk about was—and just make a comment about—my comments today have all been about the military proposals, and I want to make a comment about the civilian proposals. I am convinced that Vern Clark has to create a human resource process and system that serves the whole Navy, and a big part of that is the civilian sector. And one of the things that I am most concerned about is my ability to compete in that marketplace. And I believe that these proposals do wonderful things that allow us to do so, and I can give you a couple of examples.

One of the demonstrations that we have had going on at China Lake for 20 years, so we got wonderful experience in having a performance-based system. You know, the results of the employees, they are gratified that they are working in a system that is rewarding them on the performance-based methodology.

The other part of this is acquiring the talent. We find ourselves disadvantaged at every point, and it leaves me to a crucial problem that I have as the Service Chief. Every place I go today where it is a predominantly civilian workforce, be it my warfare labs, my S&T centers, they are all facing this fundamental challenge. They have got an aging workforce that can retire in five years or so. They feel tremendously under the gun to renew that workforce.

The other challenge that they have from the leadership is to streamline this workforce the best way you know how, make sure you rid yourself of overhead and that we have effectiveness and efficiency in our workforce.

And Mr. Chairman, I would like to suggest to you, fundamentally, the way the law is written today, it is as if it says to the Navy, "Navy, don't streamline and don't become more efficient, because I cannot become more efficient with the rules that I have on—for example, with the age workforce." it says fundamentally, "Navy, do not renew your workforce, because I can't renew my workforce, while I am trying to become more effective and get the best bang for the taxpayers' bucks, because the restrictions keep me from doing both of these at the same time."

So fundamentally, I need relief, because if I streamline, I cannot keep people that I have recently hired, because deciding who is going to stay is not merit-based, but it is longevity-based. And so I find myself in a very difficult situation, trying to renew a workforce that my commanders say is one of their biggest challenges.

So that is why I align with projects like we have going on at China Lake that—and to see the way our people are responding to a well-documented, proven performance-based system that is working extremely well for us.

The CHAIRMAN. Thank you very much, Admiral.

Just one last thing, and this relates somewhat to what you are talking about. Talking to—the talk we had about pay banding yesterday, Dr. Chu—I think we had a good give and take with Mr. Harnage representing the prospective from union leadership, and you always have that rather sinister shadow overlooking—or over any proposal to change things where people are treated in a disparate manner, that the specter of politics will intrude and that you will end up with friends rewarding friends with extra payments.

In the military, I think we have an extraordinary system and that we have—where folks grade other folks who may have been their peers at one time and are their peers still, and sometimes as you get toward the top, folks that have been junior for a long time pass folks that are senior, and we have always—at least I always figure if I got a bad officer evaluation report (OER) in the Army, that there was a personality defect on the part of the guy that was grading me. But it is a rough and tumble business in some sense, but it works fairly effectively.

I think one solid point that was made yesterday is that to maintain integrity in this system, there has to be some kind of a wall of formality, full, and disassociation and insulation between the individual who is going to determine that a particular worker in a civilian workforce is going to get more money than the person standing side by side with him. That is a serious thing, both in the elevating of the one person, and, in some cases, the diminishing of the earning capabilities of the other person. And that is one aspect I think that this committee is very, very concerned about.

So I think we need to work that and really scrub that and make sure that the safeguards that we—and the insulations that we build in between the rater and the ratee in the military system is—if we are going to go to this—to a system in which there is the discretion which is exercised which can be far-reaching, especially when you are talking about how much people get paid; that there is an appropriate mechanism of restraint in the safeguard and discipline and distance, perhaps that ensures that we have a system that has got all the integrity that Teddy Roosevelt wanted the system to have.

So, let's work on that a little bit. I know we have got limited time to work it.

Dr. CHU. We appreciate that, sir. I think we offer as a starting point at least our April 2nd Federal Register proposal, which has exactly that kind of wall. In other words, there has to be a quite organized review board, review procedures. This is not just a supervised recommendation.

The CHAIRMAN. The other aspect I would say before you folks leave is that in the end the real duty that we have is to have talented people, because that is what saves lives or in some cases could needlessly expend life, the talent or lack thereof at the top, and that is the real obligation that we have. It is not to make sure people get their tickets punched or to accommodate people, but it is to make sure we have the very best talent in the military when lives are at stake.

And I am reminded that we have a—there has always been a problem between the great warfighters, and sometimes there is not a problem and somehow you have Eisenhower types, but I am reminded that probably the greatest warfighter that the Marines ever had was gotten rid of by the establishment, in my estimation, at the age of 59, when he had a lot of great years left in him, a 5-time Navy Star Winner—or Navy Cross Winner. We have had lots of other instances. I doubt Patton would have made it back to any job in the United States. He managed to anger both Democrats and Republicans rather quickly right after his role in combat was finished.

Napoleon said, “I make my generals out of mud,” and that is one reason he won so many battles, because he made his generals out of mud, and the other—and his adversaries made their generals out of a political system that didn’t include efficiency in combat. And we have got to make sure that we have a system that rewards performance.

It occurs to me, Admiral, that you—well, you have talked about these two aspects, this aspect of letting talented people stay on longer and utilizing them. That makes great sense, and that the other idea that you don’t want people to simply be marking time. And it is a disservice to them, and it is a disservice to the folks below them, that those two items, to some degree, are going to offset each other. You will have more people—you will have people who will get out earlier instead of having to do that time in grade to accumulate the retirement grade, and that will provide some pressure relief that will balance the people that stay on a little longer. Is that—

Mr. CLARK. That is correct.

The CHAIRMAN. Do you think you are going to be close to a zero sum in terms of upward mobility, that in the end you will have little or no effect on upward mobility for the folks below those guys?

Mr. CLARK. That is what the numbers in the studies show us, and obviously you have to manage this process as you go.

The CHAIRMAN. Okay. Well, thank you very much.

And I think we have had a chance—you have got some really great thoughtful members on this committee that want to scrub this thing pretty thoroughly with you. Let’s keep working it. And we look forward to our next panel.

Thank you, gentlemen, and we will resume the next panel. We will take a five-minute break and resume the next panel.

[Recess.]

The CHAIRMAN. The committee will come to order.

We have our second panel with us, Dr. Lawrence Korb, who has been with us on a number of occasions and has served the country very effectively in the Executive Branch and now as a Director of

National Security Studies, Council on Foreign Relations and Lieutenant General Theodore G. Stroup, Junior, United States Army (Retired), Vice President for Education, Association of the United States Army.

The CHAIRMAN. And gentlemen, it has been a long morning here, but I think it is good that you have had a chance to reflect on the discussion between our membership and the CNO and Dr. Chu.

Dr. Korb we will start with you. What do you think?

STATEMENT OF LAWRENCE J. KORB, DIRECTOR OF NATIONAL SECURITY STUDIES, COUNCIL OF FOREIGN RELATIONS

Mr. KORB. All right. I have been asked to comment specifically on a couple of the provisions of the law.

First of all, I don't think anybody should receive more retirement than on active-duty pay. So I think you need to stop that. I agree with the comment that was made before that; if you are going to allow officers to continue to accrue beyond 75 percent, it should be enlisted, as well. So whoever serves beyond 30; I think if you are going to allow that—that shouldn't be something the Secretary of Defense does. It should be automatic.

In terms of the four-year term for the service chiefs and to be extended at the pleasure of the President, I agree with Dr. Snyder. That was in my thoughts here. You do not want to have an individual who then serves at the pleasure of the President, because we are all human beings. If you like the job and if you want to stay, are you going to be as honest as the people who have been before. Remember that military people serve the constitution. They serve both houses of Congress as well as the Executive Branch. You have the power, as it says right here, to raise and support armies, provide and maintain a Navy, as well as to declare war, and you need their honest opinion.

Remember that the fixed four-year term for service chiefs was put into effect in the 1960s. It used to be two and then a two renewal, but Secretary McNamara relieved—all three of the service chiefs did not get the four-year terms for various reasons, arguing about TFX and other things like that. So it was put in to provide that, and I think that is fine.

I am not as concerned as people here about keeping people on active duty. General Franks, 56 years old, could easily serve as Army Chief of Staff and still be 60. So I don't know if that is as big a problem as people make it out to be. And if they wanted to have—want to change it, I think that they can come up here and ask for that as has been done with people like Admiral Rickover and Admiral Grace Hopper. I think that you can certainly, certainly do that. And I do think if you leave some of the four—three and four-stars in positions longer, that will I think have an effect on the younger—the sevens and eights, and maybe colonels just think that they may not get up there.

If somebody doesn't want to serve the time in grade and it is their choice, they don't want to serve the time in grade to qualify, then I don't think they should be rewarded with that title. But if for the good of the service you want to move them out, I think that is a different thing. So I don't want to see people get promoted and then say, "Okay, I am going to get out of here, and I can still keep

the title as well as the benefits." If the service has to do it, that is one thing, but not if it is the individual's choice.

So let me stop there, and I will answer whatever questions or comments you might have.

The CHAIRMAN. Very concise and very to the point. Yes, sir.

Mr. TAYLOR. Dr. Korb, I will have you know, in this committee some of us feel the same way. We can't progress because—

[Laughter.]

The CHAIRMAN. Do you want time for rebuttal, Ike?

Mr. SKELTON. There goes his ship.

Mr. KORB. Let me make one other point, which I hasten to get in and I didn't. They also do not want to allow people to have the fixed terms, things like judge advocate general. I think you have to be very careful there, because this is a person you do not want to be susceptible to pressures, either from the uniform or the military, because as we saw, for example, in Tailhook, these people are called upon to make some pretty tough decisions.

The CHAIRMAN. Okay. Very good, concise analysis here—reflection on what has been said here.

The CHAIRMAN. General Stroup.

**STATEMENT OF LT. GEN. THEODORE G. STROUP, USA, (RET.),
VICE PRESIDENT, EDUCATION ASSOCIATION OF THE
UNITED STATES ARMY**

General STROUP. Mr. Chairman, it is nice to be back in front of the committee in a different uniform. Thank you for inviting me.

I am coming at having looked at the 208 pages, and from my experience at looking at—having run personnel operations during Desert Storm, having run general officer management for two Chiefs of Staff in the Army, I have looked at the proposed language that has been submitted, and I have got summarily four points that I would like to make.

One, I believe there is a very constructive interplay that goes on between the service chief, the Secretary of the service and the Secretary of Defense, regardless of personalities. And I think that the management and the leader flexibility that has been introduced from the standpoint of general officer management in changing the law, regardless of the party in power, will enhance that flexibility now.

Second, with respect to that, I think the compensation issue that is offered for up to 4 years and intermediate between retirement age now and the 40-year potential and what I call the release valve of being able to go out with the retirement rank and equivalent compensation is effective. It was something that inhibited me as a personnel chief trying to move generals, for both Generals Bono and General Sullivan. So I would encourage that.

I am happy about the joint specialty officer management fixes that they put in there. I participated as the team leader to transform the Army, back when Goldwater-Nichols came in as a brand new brigadier. Congressman Skelton and I have not dueled. We have debated on putting more flexibility into it. This puts some flexibility into it, that with the service cultures and characteristics will not inhibit it. I am encouraged with that.

From my experience in the basement, running personnel operations in Gulf War I, I am also enthusiastic about the Reserve Component fixes that are put in, that gives the Service Chief and the civilian leader, particularly in Dr. Korb's old job as it has evolved into management during wartime operations, a tremendous amount of flexibility, and takes care of the individual reservist across the board.

I am open to your questions, sir.

The CHAIRMAN. Gentlemen, thank you very much for very concise statements, and I am going to have to leave for a few minutes. I will be back very shortly.

When I get back—but I am going to ask Dr. Korb, this aspect that you have mentioned of the objectivity of top officers in giving their unvarnished opinion and position and the effect that might have on an officer serving at the pleasure, if you will, of the President.

I will let Dr.—Dr. Chu said, in essence, everyone does all the time. That counterargument to this need to keep talent on longer; it looks like there is a little tension between those two objectives. And so I am going to want to explore that with you when I get back.

But I would ask Mr. Saxton to take the Chair, and Mr. Skelton, you are up.

Mr. SKELTON. I don't mean to be retrenching previous questions, but I did ask the prior witnesses about the dampening effect of the fives and sixes when they look up and in their hearts know that they are competitive for flag rank, and they see a bunch of these old guys up there floating around and changing jobs and so on. The reality is one thing, and according to Dr. Chu, that should not affect them.

However, the psychological end of it is what concerns me. They will do—they don't have the tools to do a study if they are in five and six, they have a good set of OERs or fitness reports, and they know, my gosh, they are competitive, but they still see the change from 62 to 68 without all the nuances. They say, my gosh, that throws me back another six years. My wife wants me to make more money anyway. So who will hire me? And they are off and running with a fancy job somewhere else, and you lose a really first class, possible brigade commander, Navy captain, a one-star, possibly a two, three, four-star.

So give me—each of you give me your thoughts on the psychological end of the 68-72-year proposal.

Mr. KORB. I think, unless it is a time of war and emergency, I don't see any need for changing the thing. Now, under the way it is now, they can always come to you and present a good case for doing it, but I really think—you know, if you take a look and you say, is there a real problem with this, I don't see it.

Go back to Gulf War I. You had General Schwarzkopf and General Waller. They did a terrific job. You go look at the most recent Gulf War, you have General Franks and General Abizaid. Just as good. I don't see any diminution at all. And if I take a look at the people coming into the jobs, whether it is service chief or combat commanders, I don't see any problem to say, "Gee, we really need to keep these people longer." and I think you are quite right, be-

cause in addition to working the Pentagon, I spent 4 years on active duty, another 20 in the Navy Reserve, and you do see those things, and one of the things that always kept us going was, well, the tour of the commanding officer of the unit was limited. So, you know, if we kept on, we would have a chance to go up there. And so, you know, the old Burt Lance thing, if it is not broken, why fix it? And I haven't seen any evidence that it is, in fact, broken the way the system works now.

Mr. SKELTON. General.

General STROUP. Congressman, I am going to take a look at what I call the talk that goes on in the war room or the talk that goes on over at the foot locker in the barracks.

The younger officers that you and I are familiar with, they aspire to positions, and they also aspire to promotions. And they know that successive performance in positions such as Battalion Commander, Brigade Commander, in the acquisition field the program manager (PM) or the program executive officer (PEO), leads to their capability to be selected for the higher rank.

I think your field grade officers at the lieutenant colonel and the colonel rank are more concerned over, "Am I going to make it to brigadier." I know in the Army that most brand new Brigadiers are conditioned to the fact that when they look around at their promotion cohort, there is only going to be 50 percent of them who are going to make major general. And I—as I have been in and out of personnel as a combat engineer, what I had discovered is that good career officers can read the tea leaves, and as they read the tea leaves, they can determine through the merits system that all services run under the law in terms of selection boards and that, that they are either going to make it, or they are not going to make it. And as they become more senior in years of service, then they become somewhat contemplative as, "Okay, am I going to be the next chief of service." Again, as they read the tea leaves, depending upon their specialty, whether they are technical or whether they are combat, some of them will know that they are not going to be the chief of service.

So, back to your question about—in terms of psychological impact, I don't believe there is going to be that much worrying about the change within the officer ranks. I think there will be some debate and discussion, but I think with the officer corps that we have now, and particularly in the Army with the Army's leader development and education system, those officers will be able to read the tea leaves and make that determination as to whether or not it is time to leave or whether or not the system will tell them.

I think from the flexibility, as the Chief of Naval Operations just mentioned, I knew because of the way the law had changed when I came in to be the Deputy Chief of Staff for Personnel (DCSPER) of the Army, I knew from conversations with Gordon Sullivan and then General Reimer that I was going to be a two-year DCSPER. Although the law allowed me, in that window where it changed, that I could be there for three years. But as we looked at benchbuilding and looked at the officers who we wanted to bring up to move into senior personnel positions in the Army, I made the decision that—talking mainly with General Sullivan, well, let's just

make me a two-year guy. I can still get my retirement, knowing that my successors would be locked in at three years.

So I think the flexibility that is being introduced with the change in the law will give senior leadership, both uniformed and civilian, that capability to manage and grow their bench. With respect to the junior officer bench worrying about the future, I think everybody does that, just like Congressman Taylor worrying about the older members of the committee.

Mr. SKELTON. My health.

General STROUP. Sir, I say nothing derogatory about you. But thank you very much for becoming a life member of AUSA. I am expecting your check.

Mr. SAXTON [presiding]. Let me ask—you heard Dr. Chu and Chief of Naval Operations both talk about the important role that reserves play today; and Dr. Chu outlined, I believe, 3 main points in their recommendations to us on some changes they needed in terms of medical and dental care, in terms of waiving a 12-week requirement and in terms of authority to call up for training purposes individuals and units.

What do you think, based on your experience? Is that—are those changes that are needed, or are there other changes that are needed, as well?

General STROUP. I believe that as we move into this new defense era that we already find ourselves in, I think that the medical-dental changes that have been proposed are what I would call on a continual-improvement spectrum that we realized we needed to change after the last Gulf War.

So those will bring in a great deal of facilitation for when appointed officials, say in Dr. Korb's position that he held under the Reagan administration, makes the determination that they have to bring in the reserve components.

And as you know, Congressman, in the era now that we are in, of bringing in reserve components, with four Presidential Selected Reserve Call-ups already working, we are not looking at a Cold War call-up system. So the dental-medical fixes I see are beneficial.

When you take a look at the needs that the Nation might be facing in the future with respect to potential other locations that would behave like Afghanistan or Bosnia or Kosovo, your services are going to need a suite of individuals with capabilities that probably were not in the Cold War bank as we grew our forces.

And so the example that Dr. Chu suggested for either the linguist or the other type of specialist, which we really haven't grown too much since World War II—it facilitates that.

I am confident that the service chiefs and the service secretaries would not bring somebody in and send them into an overseas hostile theater or environment unless they had adequate self-protection training. And, historically, when the Congress put in the 12-week mandate for that level of combat—individual combat training prior to overseas-action, there was some gross errors that occurred.

So I am comfortable with—if that waiver was put into effect, there still could be policy decisions or even congressional language that would correct that. So I am up on both suggestions that are in the proposed language.

Mr. KORB. I think they make sense, but I think one of the things that Secretary Rumsfeld is talking about is changing the whole active-reserve mix. I think we have enough evidence now to know what capabilities we need to keep more on active duty and the reserves. I mean, in many ways we still have a Cold War model, almost a Vietnam model, so we wouldn't go to do any type of military activities without calling up the reserves, which we failed to do in Vietnam.

So I think you really need to do that, and I think the provisions that I have seen talked about, where a person, for example, joins the Armed Forces of the United States and can move back and forth among the active and reserve is really something we need to do, given how often we use these people.

I think you ought to take a look—these units get used most of all. They will be primarily active. These units don't get used very much, primarily reserves, and almost have a spectrum across there of people in the units.

Mr. SAXTON. Do you think it is possible to just make those adjustments and maintain current end strength, or do we need to begin to look at—

Mr. KORB. I think you need to look at the end strength of the total force. If you add it up, you ought to ask yourself, is that enough, and can you accommodate it by switching things? And it seems to me that if you are going to implement the President's National Security Strategy that he came out with in September of 2002, you really better take a look at your end strength, because that is a very aggressive type of thing.

For example, we read in the paper—I don't know how true it is—that Secretary Rumsfeld may want to get rid of two Army divisions. Well, if you are going to be occupying Iraq for a while, it seems pretty hard for me to see how, in fact, you could do that.

So I think you really need to—I haven't seen—the Quadrennial Defense Review came out in September of 2001. The strategy came out in September 2002, and I haven't seen anybody try and put the two together.

General STROUP. Sir, if I could address end strength.

My personal belief from the last number of years trying to stay current on defense issues and reading public documents, current Army end strength of 480,000 for the Active component, I don't believe is large enough. I think we probably need another 35 to 50,000 end strength, because you are now finding that the Army, as it is currently deployed, is going to be almost on an expeditionary mode of brigades or divisions rotating to these different locations. I look over at Congressman Skelton, and I know he is going to say, there he goes again, old stretched and strained Ted, but I think we are reaching the point where we are becoming stretched and strained, and we will probably see that continue. I am not saying that to disparage—

Mr. SKELTON. May I interrupt at this point?

General STROUP. Yes, sir.

Mr. SKELTON. You testified to 40,000 in January 1995, just when we were going into Bosnia the first time.

General STROUP. Yes, sir, that is correct.

Mr. SAXTON. I think this is an extremely important question. If we are, in fact, going to move some of the function of the Reserve into the Active force, then the difficult decision has got to be made, what do you take out of the Active force to put into the Reserve, and I am not sure that I can, personally at least, identify what those functions that you migrate out of the Active force are, and so the alternative is more people in the Active service, it seems to me.

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

Before I ask a question for Dr. Korb, for the benefit of Mr. Taylor as the only doctor here today, I need to point out that I think Mr. Skelton looks in fine health, but as one of your junior members, I want to assure you I think you are looking a little peaked, Mr. Taylor.

Dr. Korb, I wanted to get back to this issue of the terms for the highest ranking—the Joint Chiefs and the Chairman. Is there a way to get at this—what may be some legitimate concerns on the part of the Administration? For example, Admiral Clark brought up the issue of there just may be an overlap problem of three months or so. It would seem like—could the legislation—if we think that is the legitimate concern, could it be written in such a way to say that the President may have that authority for up to one year, recognizing that maybe we are in the middle of a war, maybe the person coming up wants to be left—would like another job. One year, I wouldn't think anyone is going to change their candor, and also getting an additional eight-month position.

And then that second aspect of it, I don't think under current law that the President, for example, could appoint Admiral Clark to a second four-year term. Would that not be a possibility to say that—rather than serving at the pleasure, but just to say—I can't imagine many of these guys would want to have a second four-year term, to be honest with you. But for an extraordinary situation or extraordinary people or in the middle of a transformation or whatever.

I mean, that is what we do with Alan Greenspan. There is a lot of political dynamic there. He has served through multiple presidents, but we don't let him serve at the pleasure of the President. We say, okay, you want him around? You keep him on an additional five-year term. And he goes through the process again. Would you comment on those two possibilities.

Mr. KORB. Well, I have no problem if you want to keep somebody beyond four years. My problem is this indefinite type of thing. I think if you need that, you ought to get a limited flexibility, and you ought to come back to the Congress to do it, because you don't want to be rewarding some and punishing others.

Look, I think what happened with General Shinseki is a disgrace, the fact that his successor was anointed 15 months ahead of time. And many people said to me, well, if Secretary Rumsfeld wasn't happy, why didn't he relieve him? The Congress said you have got to have a fixed four-year term, because you want those people to be honest with you. And they talked about General Dugan. When General Dugan was relieved, Secretary Cheney and

the President checked with Senator Nunn to make sure that was okay, because in effect he was being relieved for cause.

I mean, so I think you have to be very, very, very careful that you don't impinge upon the ability of those men and women serving in those high positions, to be honest with you, as we have this debate. I don't know how many people we need to occupy Iraq, but I am glad that General Shinseki laid a number on the table so that we could get the debate going, and remember he did that in response to a question from Senator Levin. I think it is very important that you safeguard the ability of those people to be able to do their jobs.

And similarly, as I mentioned, if you say, well, we are not going to have a fixed term for the Judge Advocate Generals or the medical people, are they going to be free to do their jobs, because they are going to be times when they are going to disagree with their service chiefs. So I think it is very important that you look at that in terms of your own ability to get involved in the debate and get the best opinions, so that you can make the judgments that the constitution calls upon you to make.

Dr. SNYDER. And I understand what you are saying. We had a lengthy discussion yesterday. This is about words on paper, and one option, as I suggested, would be to deal with Admiral Clark's thing about the 30 days or 3 months or something, would be to specifically say the President may extend for up to one year, which it is just difficult for me to think that there would be—that someone's candor would change—

Mr. KORB. I agree, as long as there is a term limit on it and—

Dr. SNYDER. Enough to deal with the specific situation.

But thank you. Thank y'all for being here today. Thank you.

Mr. SAXTON. Mr. Taylor.

Mr. TAYLOR. I was wondering if either of you gentlemen had been around and served under different administrations, if either of you gave much thought to the language on page 108 which allows the Secretary, by my calculation, the discretion to move \$100 billion around during any national emergency. Of course we have had—I checked during the Clinton Administration—national emergencies; two were inherited, I believe Iraq and Libya. One was because of the drug problem in Colombia. And the fourth was for Serbia. And the point I would—I wish a few more Republican colleagues were here. I wish a few more of my colleagues, period, were here, but the point that I would hope all of us Democrats and Republicans would take away from this is, we are talking about a law change. It is going to be the law whether George Bush is the President or whether Hillary Clinton is the President. And it is going to be the law whether George Bush appoints Donald Rumsfeld or Hillary Clinton appoints Chuck Schumer as Secretary of Defense. Now strange things have happened in my life. And I could, see that strange thing happening. And so I was wondering if either of you gave much thought to that, because a \$100 million "play fund" is a heck of a lot of money where I come from.

General STROUP. From one of my two-star jobs building the Army's five-year program and interfacing with its annual budget submission on the two-year budget cycle, I believe that defense

leadership needs more fiscal capability to move money around than is in the current law.

I don't have any experience as to come back and tell you that the number that you suggested from page 108 is the correct number, but I can tell you, working in the Pentagon during national security crises and that, where we had to go get money from one account to another, the smaller ceiling that was established at the time was a level of frustration for those of us that were working it, not that we didn't want to come over to the Congress to the Appropriation Committees. It just was a long involved process, and the forces at the other end of the spectrum out in the field waiting for that operational money to come down so they could train more or get ready to ship more, that wasn't an inhibitor.

So I would say raising the ceiling for financial flexibility for the good of the Department in times of crises, I am in favor of. I cannot give you an opinion on whether the \$100 billion is the right number as you described.

Mr. TAYLOR. Dr. Korb.

Mr. KORB. Well, remember in most times of emergencies, administrations come up with the supplementals, and so I think if there is a problem, they certainly can come up for supplemental, because in a time of emergency, you are going to need more money.

Mr. KORB. What General Stroup was talking about is not quite an emergency; it has a lot to do with unanticipated things occurring when you are executing a budget that was planned a couple of years ago. I agree with General Stroup; you might want to raise the caps somewhat, but not the \$100 billion. I think that is way, way out of line. And remember that I think it is important to keep in mind that why we have these laws that we have, a lot of these restrictions were put in to correct abuses when people move money around to thwart the will of the Congress because they did not like some of the things that Congress did. So I think that is important to keep in mind as you take a look at that.

Mr. TAYLOR. I very much appreciate you saying that.

Mr. SAXTON [presiding]. Thank you, Mr. Taylor. Mr. Skelton, I believe, has a closing thought.

Mr. SKELTON. Let the record show that I misspoke, and it should have been 1995 rather than 1945. General Stroup wasn't even born in 1945. Thank you.

Mr. SAXTON. Any further questions, Dr. Snyder or Mr. Taylor?

Gentlemen, Dr. Korb and General Stroup, thank you for being with us today. We appreciate it very much. It has been a greatly informative morning and we thank you very much for your willingness to be here with us to share your thoughts with us. Thank you. And the committee is adjourned.

[Whereupon, at 12:20 p.m., the committee was adjourned.]

A P P E N D I X

MAY 2, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MAY 2, 2003

Opening Statement
The Honorable Duncan Hunter
Chairman, Committee on Armed Services
May 2, 2003

The Committee will come to order.

The Committee on Armed Services will hear testimony for the second day from the Department of Defense and other interested third parties to consider their views on the Defense Transformation for the 21st Century Act, submitted by the Department of Defense to the Committee on Armed Services for inclusion in the National Defense Authorization Act for Fiscal Year 2004.

Yesterday, we heard testimony on DOD's civilian personnel transformation proposals. Today, we will focus on the military personnel proposals contained in the Act. Department officials have advised us that the Department needs to change its organization and operating procedures in order to meet the new threats of the 21st Century.

The Department's transformation proposal for military personnel would make changes in four areas: active and reserve component general

and flag officer management; increased access to the reserve components; joint officer management and joint professional military education and revised military manpower management.

The Honorable David Chu, the Under Secretary of Defense for Personnel and Readiness will be testifying again today. Joining him on the first panel will be Admiral Vernon E. Clark, Chief of Naval Operations.

Testifying on the second panel this morning will be Dr. Lawrence J. Korb, Director of National Security Studies, Council on Foreign Relations, and Lieutenant General Theodore G. Stroup, Jr., U.S. Army, retired, Vice President for Education, Association of the United States Army.

At this time, I'd like to recognize my good friend from Missouri, the distinguished Ranking Member of the Committee, the Honorable Ike Skelton, for any statement he may wish to make at this time.

[Opening Statement of Mr. Skelton]

We are fortunate to have with us today two panels of witnesses. We request that each of the witnesses summarize his testimony in five minutes after which we will permit Members of the Committee to ask questions. We will observe the five-minute rule during our proceedings this morning.

Let me welcome all the witnesses and thank them all for being here on relatively short notice.

Without further delay, let me turn to our first panel.

Dr. Chu, you may proceed.

[At the end of Panel 1]

Introduce Panel #2:

Dr. Lawrence J. Korb
Director of National Security Studies
Council on Foreign Relations

Lt. General Theodore G. Stroup, Jr. USA, (ret.)
Vice President, Education
Association of the United States Army

**Opening Statement for The Honorable Ike Skelton
Hearing on the Defense Transformation for
the 21st Century Act
May 2, 2003**

Thank you, Mr. Chairman. I join you in welcoming our witnesses, and I thank them for coming on such short notice.

Yesterday I mentioned that Congress took five years to develop the Goldwater-Nichols legislation. The many hearings, briefings, and meetings this committee had helped us develop a more thoughtful, superior product. Members debated the issues, and as we did we uncovered considerations that were not identified when the bill was first introduced. I am convinced that Congress' deliberate consideration of Goldwater-Nichols was instrumental in producing a law that has served us well over time. Had we acted hastily, I think we could easily have ended up with a law that actually harmed the command and control relationships among the services and our senior military leaders.

56 years ago, in response to over a hundred years of managing our officers by patronage and political intervention, Congress enacted the Officer Personnel Act of 1947, which introduced the current “up-or-out” approach to officer personnel management. As a result, today’s officers rise through the ranks in a predictable, stable and timely way, and we know that those demonstrating outstanding qualities are chosen to be general officers.

The general officer management proposals we are being asked by the Department of Defense to authorize are significant. In some cases, they are puzzling to me. For example, the mandatory retirement age is currently 62. We already have the ability to keep exceptional general officers in uniform longer without the changes being sought by the Department—through the use of age waivers. Because the current system already allows truly outstanding officers to be retained, I have to ask whether age is really the key consideration in the department’s proposal that general

officers be permitted to serve longer. Will the addition of 6 years—to a retirement age of 68—really provide a dramatic improvement in the quality of senior leadership? I think the exceptional leadership traits appear before then, and we already have the ability to keep those officers on board.

I would note that General Tommy Franks, who commanded our forces in Operation Iraqi Freedom is only 56 years old. We already have the means to keep him in the Army past age 62 if we want to.

I think it's unrealistic to propose allowing general officers to remain on active duty longer without also providing changes in the career management of every other officer. But the Department has not yet provided an explanation or analysis of the effect that these general officer changes will have on the promotion and retention of other officers. Why are we addressing general officers in isolation?

For me, there are two fundamental questions that have yet to be answered. First, we need to know what is the

intended result of the general officer changes being sought here. It is still unclear to me what DOD is trying to achieve with these proposals.

Second, we must know how the current policy prevents that result from happening, because you can't fix a problem unless you know what's broken. So, exactly what problem does this proposal fix? What issue is so vital to the security of our nation that the extraordinary step of immediate passage of this legislation must occur? Is the possible retirement of several exceptional flag officers an event significant enough to create a crisis of such magnitude that we need an immediate change in the system?

As Chairman Hunter knows, I've spent over 20 years studying military personnel policies. I assure you that it is a complex and challenging task. Unlike procurement issues, which tend to be black and white—do we buy this system or don't we—personnel policies are shades of gray. Keeping three and four star general and flag officers on duty longer

may address one immediate problem, but there will inevitably be ramifications for lower ranking flag, field, and company grade officers.

Mr. Chairman, my bottom line is really that I don't think the current system is broken. The recent successes we have seen in Afghanistan and Iraq were led by general officers who are the products of the current system. I think they did a great job.

I am open to suggestions that there may be problems with the present officer management system, but if there are, I see no compelling reason why we should rush to address those problems in the next 10 days. And I cannot imagine a circumstance that would justify addressing general officer problems without also addressing the whole officer management system in a comprehensive way. And the Department's proposals before us simply don't do that. If we go down this road, Mr. Chairman, I believe we will live to regret it. Thank you

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MAY 2, 2003

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. The Department is proposing sweeping changes to the management of general and flag officers. Under this proposal, the promotion and retention of senior flag and general officers will depend on the benevolence of the Secretary. By allowing the Secretary such unconstrained and far-reaching control over the most senior officers, how do you propose to prevent the increased politicization of our officers?

Dr. CHU. Our proposal does not change how senior officers are selected for advancement. The selection of officers in grades O-9 and O-10 for assignment to positions of importance and responsibility is made based on recommendations from the Service Chiefs and Service Secretaries, with advice from the Chairman, as is the case today. Currently, the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and Service leadership work together in managing the assignment of general and flag officers, and that would continue.

Among the objectives of the proposed legislation is the authority to permit members of the Joint Chiefs of Staff to serve longer terms as determined by the President. Likewise, the current four-year term for the Chiefs of the Services and the two-year term for the Chairman and Vice Chairman of the Joint Chiefs of Staff remain exactly as they are today, along with the President's continued, complete, and sole discretion to remove an officer. The ability of the President to extend senior officers in position—or to remove them—reflects the embodiment of civilian control of the military.

Senior Leadership in the Department of Defense, in consultation with Congress recognized the need to transform our Armed Forces to meet the needs of the 21st Century. In that transformation process, we recognized the need for greater flexibility in managing job tenure and career length for general and flag officers, with a view toward longer time in a job and longer careers. The legislation that has been proposed contributes to those ends.

Mr. SKELTON. The law currently allows the President to waive up to 10 officers from the age limit. How many waivers is the Department currently using? Could you please provide the numbers by Service.

Dr. CHU. The Department is not currently employing waivers for age as permitted by title 10 United States Code, section 1251(b). In part, this is attributable to long-standing but increasingly indefensible separations based solely upon age, even when the affected officer and his leadership would prefer otherwise. The intent of our legislative proposals is to allow flexibility while ensuring that the Department has the tools available when and if it requires authority to make changes.

Mr. SKELTON. It is my understanding that the goal of the proposal is to be able to retain exceptional officers so that we do not lose their expertise and experience. How many general and flag officers does the Department expect to continue to age 68?

Dr. CHU. Modeling of this policy by RAND suggests that the average career length for those in grade O9 would move from 34 to 36 years, with grade O-10 rising from roughly 35 to 40 years. So on average, under our proposals, the retirement age at grade O-9 and O-10 would increase by about two and five years respectively, to approximately ages 58 and age 62. However, a handful of officers with prior enlisted service or breaks in service, or later commissions—perhaps a half dozen each year, would retire in their mid-sixties.

Mr. SKELTON. I have seen recent press articles comment on additional officer management proposals being considered by the Department. Is the Department working on additional changes to officer management policy, particularly for our field and company officers?

Dr. CHU. Yes, but we have only recently begun that task. We must transform the personnel system to attract, develop and retain talented and quality people over the decades ahead. To those ends, the Department contracted with RAND and LMI in 1999 as part of a joint effort to review the entire officer management structure and identify the challenges that were presented by the current officer management system. Early in this Administration, the Department introduced and developed a new DOD Human Resource Strategy that demands development and review of a series

of changes, most of which question a one-size-fits-all approach to officer career planning.

The DOD Human Resource Strategy is the first integrated strategic plan regarding the management of human capital, and the studies supporting the strategy clearly support the mission and goals of the Department of Defense and our National Security Strategy. This new Human Resources Strategy holds true to the rock-solid premise that our people are central to mission accomplishment.

We are continuing the study of the military personnel management system by reviewing and analyzing the management of the career paths that lead to O-7. Currently, the study, being conducted by RAND, involves O-1 to O-6 career path modeling that will reflect required changes to officer management. This research will help us determine requirements, analyze gaps, and address compensation issues. We expect to have recommendations for enhancing O-1 thru O-7 officer management for consideration in the FY05 Legislative and Budgeting Process.

Mr. SKELTON. The Department spent months developing the transformation package. Could you tell me, when was the general officer provisions sent to the individual service personnel chiefs? What recommendations, issues, or concerns did they express? And, were these comments incorporated into the final product?

Dr. CHU. Senior Service general/flag officers were involved in the RAND study efforts in August and September 2002 through a series of interviews conducted by RAND, and their concerns were incorporated into the study effort that underpins the general/flag officer provisions.

The Chairman and Vice Chairman of the Joint Chiefs of Staff were briefed on the general and flag officer provisions on February 3, 2003. The Service Secretaries and Service Chiefs were briefed on the general and flag officer provisions during Feb 03 (Air Force: February 3, 2003; Army: February 7, 2003; Navy: February 12, 2003; Marine Corps: February 12, 2003).

The Assistant Secretaries of the Military Service Departments for Military Personnel and Reserve Affairs, and the Service Personnel Chiefs were briefed on March 7, 2003.

Specific feedback received from the briefings:

- We must be up-front with our colonels and general/flag officers so they understand the changes.
- Education of the force is on-going and a transition plan needs to be developed.
- How will we convince O-9s and O-10s to serve that long (8 years)?
- Preventing a slow-down or log jam of general/flag officer promotions will be essential to the success of the plan.
- We do not want to publicly designate "using" and "developing" billets.

Issues raised by both groups were either answered or further explained, or their recommended changes were incorporated in the legislation.

Mr. SKELTON. I understand that RAND helped in analyzing the general officer provisions developed by the Department. I would like a copy of their analysis of the proposal and the results of any other studies that were conducted that led to the decision to adopt this proposal.

Dr. CHU. As I mentioned before, we have commissioned RAND to assist the Department in identifying key areas of the personnel management system than can be improved. Phase one of the RAND analysis focused on managing general and flag officers. Much of the legislation that is being presented was derived from their expert analysis and recommendations. In April 2003, RAND published an issue paper addressing the results of the first phase. I can make that report available to your office.

Mr. SKELTON. As a student of history, I worry that we are harkening back to a seniority system that could become as dysfunctional as the one that caused the enactment of the Officer Personnel Management Act of 1947. Our current system has performed well over time. The officers who just led our men and women in a stunning victory in Operation Iraqi Freedom and in Operations Desert Shield and Desert Storm before are just simply outstanding. They grew up and thrived in the "up and out system."

What is broken about the present system?

Admiral CLARK. The present system is not broken; that said, it can be improved. There are some senior leaders whose talents, experience and expertise warrant extensions on active duty. The proposed Act provides flexibility to identify and extend exceptional leaders when appropriate.

Mr. SKELTON. What issue is so vital to the security of our Nation that the extraordinary step of immediate passage of this legislation must occur?

Admiral CLARK. The events of 9/11 and the Global War on Terrorism prove the need for flexible and agile systems. In light of World events, it is critical that immediate action is taken in order to dovetail with the ongoing changes and transformation in multiple agencies and departments.

Mr. SKELTON. Is the possible retirement of several exceptional flag officers an event significant enough to create a crisis of such magnitude that we need an immediate change in the system?

Admiral CLARK. The "possible retirement of several exceptional flag officers" is not the driving force behind this proposal. An institutional, long-standing change is necessary to provide DOD with the flexibility to retain exceptional personnel now and in the future.

Mr. SKELTON. You indicated in the hearing that you have the ability to waive two officers from the age requirement.

Are you currently using both of those waivers?

Admiral CLARK. Navy currently has no flag officers serving on age retirement waivers. My statement regarding waivers referred to time in grade (TIG) requirement. We are currently using two O-7 and two O-8 TIG waivers.

Mr. SKELTON. On what basis are you only allocated two of the total 10 [age requirement] waivers currently available to the President?

Admiral CLARK. Navy does not hold an allocation of POTUS age waivers. POTUS has the authority to waive 10 officers.

Mr. SKELTON. In the last 10 years, how often and how long have you had to use those waivers?

Admiral CLARK. Navy has needed to use the age requirement waiver once in ten years for one year. We have used the TIG waiver 32 times since 1994 (when we began tracking TIG waivers).

Mr. SKELTON. If this proposal is enacted, how many positions within the Navy are "developing" positions and how many are "using" positions?

Admiral CLARK. The number of "using" and "developing" positions Navy-wide has not yet been determined. The recently completed Congressionally mandated OSD Flag/General Officer Study has given each of the Services the requisite start for such analysis. However, historical precedence for leadership assignments causes many billets to fall clearly into one category or the other. As there is no exact script for any successful military career, regardless of Service, the process will remain one of capitalizing on existing strengths, shoring up assessed experience gaps and matching projected rotation dates.

Mr. SKELTON. Will all "using" positions be required to stay in their positions for a longer period of time?

Admiral CLARK. Not necessarily. There is currently no established average length of tour for "using" positions now, so to state that the required length of tour will increase may not be supportable. However, I expect that the data will, indeed, show an increase in average length, if assessed after implementation of this Act.

Mr. SKELTON. What will be the average increase in time that a person will serve in a "using" position?

Admiral CLARK. This Act will serve to allow the Services to increase the length of tour of incumbents in both "developing" and "using" tours. A notional goal would be tour length averages at or exceeding two years. Many will serve tours of three years or more.

Mr. SKELTON. How long does the Navy expect officers to stay in a "developing" position?

Admiral CLARK. This Act will serve to allow the Services to increase the length of tour of incumbents in both "developing" and "using" tours. A notional goal would be tour length averages at or exceeding two years. Many will serve tours of three years or more.

Mr. SKELTON. Under this proposal, the promotion and retention of senior flag officers will depend on the benevolence of the Secretary:

By allowing the Secretary such unconstrained and far-reaching control over our most senior naval officers, how do you propose to prevent the politicization of naval officers?

Admiral CLARK. The Secretary will have the advice and counsel of the Chairman of the Joint Chiefs of Staff and the Service Chiefs and Secretaries. As a result, the Secretary's actions under these provisions will not be focused on "politicized" military officers. Instead, the focus will be upon making the best use of well-rounded, knowledgeable and experienced officers on active duty.

Mr. SKELTON. It is my understanding that one of the military tenets for a senior officer is to ensure that those who follow in their footsteps are as good, or better, an officer. This is to ensure that if an officer were to fall in battle another could assume command.

Do senior officers have an obligation and responsibility to ensure that those who follow have the requisite skills and knowledge to take their place?

Admiral CLARK. Yes.

Mr. SKELTON. If so, why would senior officers need to stay on until they are 68 or 72?

Admiral CLARK. The military tenet cited is only one aspect of the analysis. A senior officer has many different responsibilities. Among these is the need to possess the requisite skill and knowledge to perform a particular job. Another responsibility is to ensure that those who follow in their footsteps are as good, if not better than themselves. The Act addresses both of these goals. By allowing some of our best officers to remain on active duty, we will continue to build upon their level of experience and knowledge. Allowing these exceptional officers to remain will enrich and enhance the training and mentoring of the officers to follow.

Mr. SKELTON. In the last 10 years, how often and how long have you had to use those waivers?

Admiral CLARK. Once; for a period of about one year.

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